JPRS 80496

5 April 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2254

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HUNGARY'S SMALL BUSINESS REFORM EVALUATED

Zurich NEUE ZUERCHER ZEITUNG in German 14/15 Mar 82 p 5

/Article by R.St., datelined Budapest, February: "More Room for Private Initiative in Hungary"/

/Text/ The desk clerk in the brand new hotel on Pest's Danube Quay does not wish to be reminded of the hotel where we first met years ago. "Once you get to know our hotel, you will not want to stay anywhere else in this city," he says after reciting a list of the new hotel's advantages. Hungarians are generally friendly people, but for employees in a state enterprise to go out of their way to recruit a new client is a unique phenomenon in so-called real socialism. It has happened in other countries that hotels were a quarter empty, and yet the desk clerk told us--without any visible signs of regret--that we would be better off in another establishment, because he had just finished with the "evidence" /registration forms of the hotel residents/ for the police. Here, for the first time, an enterprise appeared to be enterprising. The question whether, disregarding tips, such a personal effort would involve a further financial benefit for the person concerned, was never answered. However, it seems reasonable to assume that this attitude is at least due to some extent to those measures by which the Hungarian Government aims to inspire personal initiative.

Socialism From a New Aspect

At the start of the year a decree eased the terms to be met for setting up a private craft or service enterprise. This also provided new opportunities for business cooperative groups of professionals or contractual associations. Though up to now only 3.5 percent of the gainfully working population had gone in for private enterprise, and even though this figure is unlikely to immediately increase by leaps and bounds, these new regulations are most certainly the hottest topic of conversation in Budapest. The Hungarians seem to be immune to the panic fear of uncontrolled enrichment we note in neighboring communist countries whenever administrative easing of conditions for private trade is under discussion. A young man we talked to had fastened in particular on two phrases pronounced in a television discussion on this topic. The first says roughly that the general public is bound to benefit if each individual were to earn more. The second one somewhat transcends this pragmatic consideration of reciprocal benefits. It claims that socialism does not imply any leveling but aims to creat equal opportunities for all. The young man believes himself in full accord with the official party line when praising the benefits of a competitive approach.

Fewer Taxes, Easier Procedures

The new regulations in effect since 1 January may not be revolutionary; they are certainly interesting. On the other hand they are multifaceted and complicated and do not really permit comparisons with a Western system. We are therefore confining ourselves to some basic outlines. Only the future will show which of the types of organization are going to be successful. True, private craft and service enterprises did exist before, but the tax rate has now been so altered that it has a prohibitive effect only at earnings in excess of 200,000 forint per annum (that is about 4 times the average official wage). This average wage--representing only earnings on the job--is an abstract dimension; it is said in Budapest that a private entrepreneur needs to work 3 times harder to earn double that average. The issue of licenses was considerably eased. In most cases it is no longer the ministry's decision but that of the municipality and--in large cities--the district administration. If the legal requirements are met, permission to start an enterprise may not be refused.

Two to 30 persons may join in an "economic working company." The company pays taxes and is responsible for the social security insurance of the members; it is profit oriented. Its purpose is usually the manufacture of a product and its sale. Repair workshops and small building firms also may be set up on this basis. When such an enterprise is run by moonlighting workers, the employer must give prior approval. According to the new regulations, advertising agencies and consultancy teams, for example, may also be started in the service sector. Should an enterprise get into financial trouble, it must apply for bankruptcy, and the members try to find new opportunities for earning a living; the government does not come to their air.

By contrast the so-called "small cooperatives" must be included in the socialist sector. They have 15-100 members who have to pay in some money and are jointly liable. So-called work collectives, again, are associations within socialist enterprises but on a private-law basis. They may be set up for piecework purposes and, apparently, also for further developing and marketing a product invented on the job. All the kinds of enterprises described are designed by purposeful incentives for the individual to effect a better utilization of the labor force. They cannot replace the large-scale enterprise but are to tackle the kind of task for which the big ones are too unwieldy. It is therefore quite possible that not only private persons will set up small enterprises of their own, but that industrial corpor tions as well as ministries and banks may do so. Competition is to be encouraged in state enterprises by these means also.

The Young Are Interested

While the complex regulations for trade and service enterprises are still new, lessees have been conducting business on their own account since 1 January 1981 and already gained their first experiences. Though the term capitalism is proscribed, and the state here also intends to put a lid on the so-called accumulation of capital, it is not possible to set up an enterprise without capital. A young greengrocer couple in the Ujpest city district had to pay 150,000 forint to acquire 16 suqare meters of space in a prefabricated building. Though, as per the official exchange rate, this amounts to only about 9,000 Swiss francs, it corresponds to the official

average wage earnings of 3 years. This investment did not seem too great either for a dealer in aquarium fish and the owner of two washers. The 25-year old greengrocer said he had not borrowed any money from the bank. As he had worked as a greengrocer in a collective enterprise before, this is bound to mean that someone in his family was able to help out with the necessary money for starting up. It seems to happen quite often that parents, uncles, aunts or grandparents give young people their savings to enable the latter to start up in business of their own. In the case here reported, the cost of the license seems to be on the low side, at 800 forint monthly.

Given the season and the location of the business in an outlying district, the offer of fruit and vegetables in the store is quite good. Available is not only the usual cabbage but also celery, spinach, three different kinds of apples and citrus fruit. Oranges are imported and therefore subject to official price restrictions. They cost only half as much as tomatoes, but surprisingly the latter also find customers. The greengrocer gets his supplies on the Bosniak market, in the 14th district. More than 80 percent of his stuff is purchased from spare-time farmers rather than cooperatives. Retail prices of domestic produce may not amount to more than 25 percent above the purchase price. He is satisfied with the way business is going; in half a year he has gained more than 100 regular customers in the modern residential neighborhood. He is confident that word of mouth recommendations will bring him more. Lately an official report praised store lessees; the service was said to be good and the supplies better than in the large stores. Our man cites as his main motive for leasing a business the opportunity to work on his own; the prospect of higher earnings ranks second. Both husband and wife accept the need to work longer hours and give up regular vacations. Life is harder for the owners of a fashion boutique and souvenir shop in Buda Castle. They are required by the authorities in the tourist season to keep their doors open on Sundays too.

Profit Sharing or Regular Wages

Those wishing to open a private restaurant must have more financial backing. In a working class district a team of eight people pays 56,000 forint per month for a restaurant seating 50. Such leases are primarily awarded to the highest bidder; the low price set by the hotel trust amounted to 50,000 forint in the case mentioned. In more elegant districts up to 100,000 forint monthly would be payable for a restaurant. The leases have a term of 3 years; after that both parties have an opportunity to renegotiate terms. The regulation of internal relations follows one of the models described earlier; the head of the company or his deputy represent it to the outside. Staff may either share in the profit or be paid a fixed wage by the company. In the second case they are entitled to receive the wages payable in a collective enterprise for the same kind of work. However, this minimum guarantee (something the socialist state feels obligated to provide) is of no more than theoretical significance; earnings opportunities are almost always much better.

Ideological Justifications and Limits

Josef Szabo, rector of the party college, gave a speech in mid-January. In the course of this he described as distorted reports in capitalist press organs claiming that everything positive in Hungarian socialism was due to the use of capitalist methods. According to Szabo the Hungarian model is merely the transfer of the general inevitabilities of Marxism-Leninism and the experiences of socialist construction in other

countries to local conditions. We may well retort that we have learned from experience that the sectors services and local supplies have usually been criminally neglected in the pure application of state socialism. Hungary is the first sociallist state to have learned its lesson from this fact. We must agree with Szabo, though, in assigning the small firms no more than a supplementary functior. In fact it is hardly imaginable that the planned economy and giant socialist enterprises could be quickly eliminated by this approach.

After all, even outside the socialist world--for example in Austria--it is quite easy to appreciate the powers wielded by large socialized enterprises in their relations with small firms. A country with central economic management disposes of many opportunities for exercising control, for instance in the matter of credit or the imposition of taxes. So far craftsmen in Hungary are able to borrow no more than 20,000 forint, certainly not a large sum. This shows the authorities cautious approach to the new situation. As for the general public, the interest expressed in conversations with regard to the new opportunities for private earnings cannot altogether be equated with the readiness in fact to take such an initiative. Some well paid skilled workers will obviously prefer to keep their jobs and, after work--here this means the afternoons--pursue their remunerative sidelines. However, the mere fact that private enterprise is possible does imply a change in the official climate.

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BRIEFS

YUGOSLAV-CUBAN TRADE--In 1981 the value of Yugoslav exports to Cuba amounted to $5.983 million, most of which were deliveries of various kinds of automobile tires ($3.7 million), followed by chemical and pharmaceutical products, electrical apparatus and material, paper and cardboard, and cotton yarn. The value of imports from Cuba amounted to $7.391 million and consisted largely of unrefined sugar (4.61 million), followed by unprocessed coffee, honey, and lobster. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Mar 82 p 1]

YUGOSLAV LEATHER GOODS TO USSR--The Belgrade [foreign trade] enterprise "Centrotekstil" has contracted to export 12 million pairs of leather shoes to the USSR this year, in addition to over $14 million worth of leather and imitation leather accessories, $7.3 million worth of gloves, and about $20 million worth of leather apparel. This will be no problem if there are adequate producer goods; last year because of frequent lack of raw and finished hides, as well as various chemicals, deliveries of finished products, especially shoes, lagged. This year the general association of the leather processing branch is insisting on larger above-plan imports of raw hides, because domestic sources do not promise better supply but rather even worse than last year. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Mar 82 p 3]

YUGOSLAV-USSR RAIL TRANSPORT--The 1982 commodity lists call for an approximately 16-percent increase in the volume of goods to be transported by rail between Yugoslavia and the USSR, compared to 1981. The question of how to organize transport to avoid the frequent bottlenecks at border stations on the Hungarian and Romanian borders was the subject of discussions held for several days between representatives of the Soviet, Hungarian, Romanian, and Yugoslav railroads in Novi Sad. Since 1979 the volume of goods shipped by rail between the USSR and Yugoslavia has increased at an annual rate of 14 percent in the direction of Yugoslavia and by 52 percent in the direction of the USSR. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Mar 82 p 3]

YUGOSLAV FIREFIGHTING EQUIPMENT TO USSR--A new Yugoslav product will soon appear in the USSR. A contract was signed in Moscow between "Montenegroeksport" in Niksic and the Soviet firm "Sudoimport" for delivery of a $17,000 system for extinguishing fires at sea, to be delivered in the next 2 years. The firefighting equipment which will be produced by the Belgrade "Vatrosprem,"

Karlovac "Jugoturbina," and Trbovlje "STT" enterprises will be built into special ships intended to fight fires at sea and under unfavorable weather conditions. The Yugoslav producers [of these water cannons] acquired this contract in competition with producers from other, largely Western, countries. The [above] Soviet firm and Montenegrin enterprise are examining possibilities for installing such equipment in ships the Yugoslav shipyards are building for the USSR. Possibilities also exist for selling to the USSR large loaders produced by the Titograd machine plant "Radoje Dakic," and which are not on the commodity list. The characteristics of these machines are well-known in construction in many countries. [Excerpt] [Belgrade BORBA in Serbo-Croatian 5 Mar 82 p 12]

YUGOSLAV-SOVIET CAR PRODUCTION--After the recent introduction on the domestic market of the "Lada-Niva" [car] two additional new "Lada" models were presented yesterday in Kragujevac from industrial cooperation with the Soviet auto industry. The "Lada 1300 C" includes a number of changes in the body, motor, and brakes.... The sale price is 266,200 dinars. A second car, which has already started to be delivered, is the "Lada 1500 C"... More changes which are expected on this model during April will not change the present price of 242,000 dinars. This year "Crvena Zastava" in cooperation with the Soviet automobile industry, will deliver a total of 18,700 cars. "Crvena Zastava" and the domestic automobile industry will deliver to the USSR $63-million worth of parts. [Excerpt] [Belgrade BORBA in Serbo-Croatian 13 Mar 82 p 12]

HIGH YIELD CORN FOR CEMA--This year scientific institutes of the nations participating in the work of the committee for coordination of corn improvement are testing more hybrids than usual. The CEMA countries involved include Bulgaria, Czechoslovakia, Yugoslavia, Poland, Hungary, the GDR and the USSR. Work is under the direction of the coordination center set up at the Martonvasar Agricultural Research Institute of the Hungarian Academy of Sciences. The committee was established a year ago. The goal of the experiment is to provide all participating countries with a suitable selection of high-yield varieties which can be grown successfully. The sowing plan for the seven countries has been prepared, and hybrid seed will arrive at the designated test areas in the near future. Seed from 10 varieties of corn are being sent to the fraternal countries. [Budapest MAGYAR HIRLAP in Hugarian 14 Mar 82 p 5]

CSO: 2500/170

NEED TO SAVE MONEY, TIME IN INVESTMENT PROJECTS

Tirana BASHKIMI in Albanian 26 Feb 82 p 2

[Article by Vladimir Gjurgjaj, director in the General Directorate of the State Bank: "The Cooperation of Investors, Designers and Executors Increases the Effectiveness of Funds"]

[Excerpts] During the seventh five-year plan, great importance will be given to investments in material production branches. These will be directed towards the development of industry and agriculture, which will utilize more than 74 percent of all investments, a 37 percent increase over the last five-year plan. It is important to achieve a coordination of the work of investors and designers in all phases of the preparation of the designs. Also, the assistance and control of the financial and banking organs during this process should be strengthened so that the recommendations of the party will be fully implemented in the studies and designs and so that each project will satisfy high economic and financial indicators during the construction process and when it is put into operation.

The further improvement of the activity of preparing exact designs and estimates will mean that the system of economizing will be further strengthened. The estimate is not always used as a means to achieve a more economical solution. In some cases, an inaccurate preparation of estimates has greatly diminished the role of estimates in the economy.

It is important to perfect the process of drawing up plans for the organization of operations in order to select the most suitable variants, not only in regard to time but also in regard to expenditures. Let us look at one aspect--the mechanization of operations. In the Memaliaj coal mine, 90 percent of the transportation of the waste material is mechanized. However, in some coal mines in Pogradec there are still some preliminary operations which are carried out manually. In the "21 December" construction enterprise, some 80 percent of the plastering work is mechanized while in the construction enterprise in Shkoder, last year, only a very small percentage of the plastering work was done by machine.

The problems of preparing exact estimates and designs on time should be matters of continuing concern for workers of the State Bank. As a result of special attention and perseverance, workers in the branches of the Bank in

Durres, Vlore, Tirana and other districts saved about 3 million leks by monitoring the estimates before the projects were executed.

Study and monitoring work should be strengthened to reduce the cost of investment work in process and reduce the time that it takes to put projects into operation. In this area there have been some shortcomings in the work of investors and executors. During the past year several projects in Lushnje, Elbasan, Pogradec and Sarande districts have not been completed. The length of time that it takes to build houses in Vlore, Durres, Fier and Tirana districts ranges from 9 to 26 months. In such cases, proper attention is not being given to the recommendation of the 8th party Congress that the establishment of normative schedules for the construction of various projects and of normative limits for incompleted investments serves as an effective means of strengthening control in the planning and execution of investments. The implementation of this recommendation requires a better coordination of study work among the investment and executing organs, and the planning, financial and banking organs, not only in regard to construction and installation but also in regard to other items of the investment structure.

The investment and design organs have important duties in preparing the designs and estimates for the projects of the draft plan for 1983 and for other years. But, in spite of the measures taken, there are still delays in executing the design activity. Investment projects of some enterprises of the Ministry of Industry and Mines, the Ministry of Communications, the Ministry of Energy, in particular, are behind schedule. In Fier, Berat, Vlore, Mirdite and other districts, design data have not been provided for investments in accordance with the established schedules. Thus, workers of the banks in these districts must plan a more active role. Workers in the State Bank branches in Durres, Gjirokaster and Tirana districts have done a good job, drawing conclusions on time. They are close to the enterprises and coordinate their work with the design offices.

CSO: 2100/52

ELECTRONIC INDUSTRY IN 1981; PLAN FOR 1982 DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 19 Feb 82 p 2

[Article by Jindrich Masa, staff worker, CPCZ Central Committee]

[Text] The electronics industry is one of our youngest industrial sectors. The decision to create it was influenced by the need for an accelerated development of electrical engineering products which was to help in modernizing the technical production base, in increasing exports in the entire engineering sector, and in satisfying the needs of our people by offering a wide selection of industrial consumer goods. These goals were already projected in the 1981 plan, especially in the targets of the engineering ministries, in foreign trade and in domestic trade.

This was a demanding plan in all respects based on the directives for the Seventh Five-Year Plan. Compared to the 1980 plan, the 1981 plan called for a substantial rate of growth as far as imports of raw materials, fuel and power is concerned, especially imports from nonsocialist countries. Even during the realization of the 1981 plan, there appeared certain influences in some industrial sectors which in the end have led to the reevaluation of the 1982 plan targets and of the Seventh Five-Year Plan.

On the other hand, however, the plan's development was favorably affected by certain principles connected with the improved system of planned management, especially in the area of material consumption, where we have achieved better savings than in 1980. In accordance with the increasing growth rate, 1981 saw a rise in production to 111 percent compared with 1980 and the plan was fulfilled to the extent of 101.4 percent. These figures already indicated greater savings in raw materials and other products in the entire electronics sector.

The production of goods is an important factor in fulfilling the basic production targets in all marketing categories. The targets of the electronics industry were fulfilled to the extent of 100.7 percent, representing more than Kcs 200 million. This was the result of the greater import of necessary products. Compared to 1980, this represented a rate of increase of more than 7 percent. All economic production units [VHJ] were able to meet their targets, even when some of them were still completing their outfitting programs.

Under difficult conditions we succeeded in meeting the needs of the national economy in completing our construction projects and fulfilled the delivery and assembly targets at construction sites supervised by the government. The increase in the production of goods resulted from a growth in labor productivity of more than 90 percent.

Last year, the electronics industry achieved important tasks in the structure of the marketing organizations. While, on the one hand, deliveries for construction projects were reduced in accordance with desirable economic imperatives, on the other hand, supplies for the domestic market, exports earmarked to socialist and nonsocialist countries, and deliveries needed to complete projects under construction were increased.

Delivery targets for retail trade were exceeded by over Kcs 200 million. At the same time, the market received certain new and improved products, especially Color 110 color television sets with inline screens. Their production will be greatly expanded this year.

The plan was very adequately fulfilled in exports to socialist countries, particularly to the Soviet Union. The annual targets measured in C.O.D. prices to the socialist countries were fulfilled to the extent of 106.8 percent, while export effectiveness was greatly improved.

In respect to exports to nonsocialist countries, the targets of the electronics industry were not fully met. The reasons for this are the lesser activity of enterprises, VHJ, and pertinent foreign-trade enterprises and, in particular, an insufficient response to developments in foreign markets. However, even under these unfavorable conditions we improved our export effectiveness. The fact that the electronics industry fulfilled its export goals in C.O.D. prices to both socialist and nonsocialist countries constitutes unquestioned progress.

In the arena of qualitative indices, we achieved good results especially in reducing our overall costs and in increasing surpluses. This favorably affected the fulfillment of the profit indicator in relation to production funds. The profit indicator increased very much in comparison with 1980. The development in inventories was not as favorable as expected and we expect that they will be exceeded by Kcs 500 million. However, in comparison with 1980 this is an improvement.

The above results in the electronics industry in 1981 show that we succeeded in securing the targets of the state plan. However, there are also areas requiring more effort and attention, such as exports to nonsocialist countries, improvement and introduction of new products, and an improvement in supplying the domestic market with scarce goods.

The fulfillment of the 1982 plan requires that we continue with the adopted changes in our economic structure, especially in respect to the introduction of new products, the use of newly built facilities and of material and human resources in the SSR. It will be necessary to continue the high rate of growth of our production while fully utilizing raw materials and other products especially in respect to their available imports.

We must be able to better solve our tasks involved in our exports to non-socialist countries. These require that we pay attention to their fulfillment right from the start of a new year, improve cooperation between production and foreign trade and adopt a more flexible approach in adjusting differences between wholesale prices and delivery prices.

In 1982, we must continue to enlarge the range of electronic consumer products and see to it that the products scheduled to be exhibited at the Brno Spring Consumer Goods Fair be made available later in our domestic market. Deliveries for our market will be increased by more than 7 percent in 1982.

In order to improve the effectiveness of international trade, especially among the socialist countries, our electronics industry faces the task of increasing its rate of export by over 10 percent in comparison with 1981. To meet this goal, we must adjust the makeup of our export deliveries to these countries, taking into consideration the fact that they too are reducing investment in capital plant.

All this requires us to expedite all planned improvements in products. All proposals of the Ministry of Electrotechnical Industry to experiment with the acceleration of the production of consumer goods should run in the same direction.

Because of stated limits on imports of materials, in 1982 we must use the surplus reserves of 1981 and not permit the violation of limits by the end of 1982.

The Ministry of Electrotechnical Industry is charged with demanding tasks in the construction of factories and especially in the reconstruction of fuel and power facilities. From the start of this year, we must create necessary prerequisites for the fulfillment of these tasks by all the VHJ involved, especially the High-Current Electrical Engineering plants in Prague and the Automation and Computer Engineering plants in Prague.

In order to fulfill the targets of the 1982 plan and its high rate of growth, all enterprises, VHJ, and the entire electrical engineering sector must reduce the consumption of ferrous metals by 4.5 to 5 percent and of electric power by 2 percent. This requires a much greater effort in comparison with 1981 when electric power consumption was reduced only 1 percent.

Our tasks are more and more demanding and require a more active attitude by collectives from plants, enterprises, VHJ and the entire electronics sector. We cannot entertain the thought of lowering the targets. We must direct the initiative of the working people toward meeting these goals right from the start of the year.

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CZECHOSLOVAKIA

ECONOMIC TERMS DEFINED IN CONTEXT OF SET OF MEASURES

Prague HOSPODARSKE NOVINY in Czech 8 Jan 82 p 5

[Article by Vilem Strnad: "Do We Understand the Qualitative Changes of the Set of Measures?"]

[Text] The first steps in the development, evaluation, and implementation of the new elements in the planned management of our economy are neither convincing nor effective. Inertia, tradition, and routine survive and are not affected by criticism. According to the article "Basic Task" by Docent Jaroslav Vojvoda (HN No. 43/1981), the "introduced Set of Measures is substantially based on indicators of the material content of the product as it has always been. Society does not have available any tools which could be used to switch the economy to the track of effective development."

Such opinions and practices still survive because no one has paid attention to the explanations of the substance of the changes. The new, substantive thing in the Set of Measures is the fact that in planning, measuring, and evaluating the development of effectiveness, we are dropping the total production volume indicators, introducing new systematic measures, and maintaining the closest possible relation between the wage developments and labor productivity in the creation of the final step in our national economy--the national income. The most substantive of these measures is the introduction of a new, net production indicator--value added.

We must understand the plan as the basic tool in achieving effectiveness and evaluating actual contribution to the final effect of the national economy, i.e. net production--national income--growth as related to the profits and internal labor productivity.

The gross production value in financial terms always consists of the sum of four cost items:

Material Cost	+	Operating Costs	+	Wages	+	Profits
S		R		V		Z

This classical gross product value consists of two elements:

Secondary Input Cost		Net Production
	+	
S + R		V + Z
(Transferred Value)		(Value Added)

Significant for the understanding of the method and the indicator of value added is the breakdown of the classical division according to use:

--Non-recurring, start-up, non-variable. All costs and support activities such as material and services plus wages, work premiums, and profits are included.

--Recurring. This includes material consumption in production but not in final use. The consumed material forms the material basis of the product and will be put to final use only when the product is used as such.

Studies of the state research task Methodological Problems in Measuring Effectiveness of Structural Changes in the National Economy verified that, as opposed to one-time, final use cost, the recurring costs are duplicated several times; i.e. as many times as they are increased by the non-recurring cost, value added, as the material consumption as a delivery for production operations by the manufacturing enterprises moves through the process. That is because the material cost, in its financial definition, is always the sum of values of finally used costs of preceding production units--suppliers.

According to final use we divide the gross production value into:

Material Cost		Production Cost Less
	+	Purchased Material Cost
S (external sources)		R + V + Z
		(adjusted value added)

The following is always true in the development of a healthy national economy: material production equals material consumption (cost). That means, that in society as a whole we have, on the one side of the production process, the sum of all non-recurring, primary costs, a total of all production costs (less purchased materials) and, on the other, the division of the NNP. (See Fig. 1)

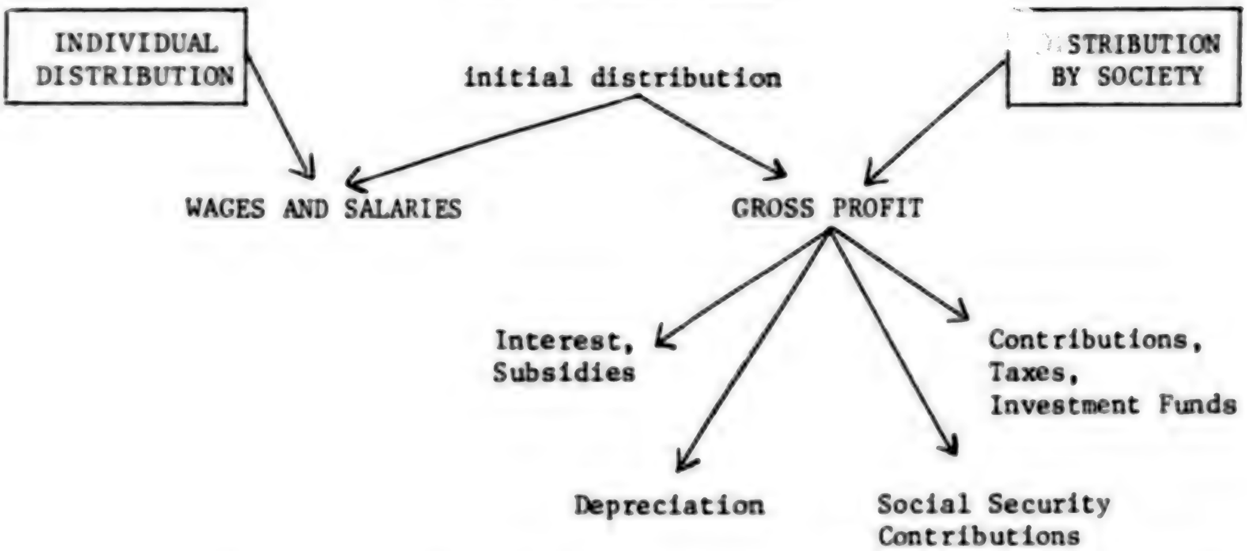
The adjusted value added has been selected from the net production indicators to be used in the Set of Measures. It is so constructed that from the cumulative output we subtract total material costs (including inputs acquired through vertical cooperation), expenditures for fuel, energy, and maintenance and unplanned nonproductive services. Therefore, it contains only the value added for national distribution.

The primary distribution of the final product, according to the Set of Measures, is newly controlled by the indocator of how wage intensive the

production is, i.e. the relation of wages to the adjusted value added for the production unit as a whole or in calculating of the average per worker and national labor productivity. The supervisory agency requires that production be made less labor intensive in that in the breakdown of the state plan tasks it allocates less for the wages payable fund based on the development of the adjusted value added compared to the initial stages.

Fig 1

Final Product
ADJUSTED VALUE ADDED



The purpose of the adjusted value added indicator (see Fig 2) is to increase pressure for fuel, energy, raw and processed material conservation and eliminate the possibility of speculative cooperation with production of a range of products with higher material content (external work) only to ensure high growth trends in the total production volume indicators (gross production, production of goods, total output, total sales and receipts). This indicator forms one of the requisite conditions for the enforcement of the merit principle in evaluation and remuneration of the organizations and work collectives. It enables the planning, measurement, and evaluation of internal activity without the influence of the contribution by external sources (material costs and inputs acquired through vertical cooperation), with the direct labor productivity (from value added) or the indicator of social labor productivity (from the adjusted value added). The latter also corresponds directly to the creation of the gross national income and its primary distribution.

The establishment of standards delimiting the relation of the social productivity to earnings in the five-year plan is, on the one hand, the question of ways and means of increasing the living standards and, on the other, a question of wage policy. Long-range wage-intensity will be established in the context of the Seventh Five-Year Plan. Its advantage will be the creation of long-range economic incentives for all working people to increase labor productivity initially and to ensure a proportional growth in the national labor productivity and average earnings in the entire national

economy in conformity with the actual resource formation for their distribution. Understandably, with a comparable level of wholesale prices.

A binding range of the wage funds determined by the decrease (index) as a share of the wages payable in the adjusted value added for the five-year plan, compared to the initial stages, and its breakdown in the individual years of the five-year plan, is set by a standard proportion of wages to actual results of operations expressed by the indicator of the adjusted value added.

Such a planned growth in profits will, in the long term, be dependent on the growth in labor productivity and its actual levels. That will pressure the production collectives to search for specific measures to ensure that preconditions for the wage increases are met--that increase in productivity is in direct relation to the potential of using a portion of this individual value produced. And that is the essence of the change. The earning developments will thus no longer depend more or less on a volume production indicator, on the quality of the plan breakdown in the enterprise, changes in enterprise cooperation, manipulation of the product mix with a larger or smaller contribution by "external labor," etc.

A key point in the Set of Measures is also the fact that the transfer of the plan from the federal level down to the enterprise economic plans will not be done through the use of the method of quotas and reserve quotas but through a flexible process. And that is not just a formal change of name but a change in quality. The processing of the federal plan tasks in the area of employment, wage standards, investments, material limits including import limits, and in the area of final goods marketing (investment deliveries, export, and domestic markets) determine, according to their type, the minimums and maximums to ensure the fulfillment of state plan in the economic plans of the production sphere. Total production volume indicators are not to be subject to the [plan] development.

Thus substantiated, understood, and in practice implemented basis of the changes in the improved system of planned management after the year 1980 could not have been described as, to quote the earlier mentioned article: "The conditions have again returned, when the central task in the area of enterprise economic incentive has been taken over by the indicators of output volume, that is indicators of material volume of production, and not a category of values, as is objectively imperative."

Fig 2

		Net Production - Final Product	
	Adjusted value added		
material, capital asset operations and maintenance and costs	capital wear and tear	wages and salaries for work	contributions, taxes, subsidies, net capital investment
PRODUCTION			
CONSUMPTION			
consumption of materials for operations and maintenance of capital assets	capital asset replacement	consumer goods stocks	gross profit non-productive consumption, net capital formation
	Gross National Income		
		National Income	

CSO: 2400/188

AGRICULTURE MINISTER EXPLAINS KEY ASPECTS OF DRAFT LAW ON LPG's

East Berlin NEUES DEUTSCHLAND in German 14 Jan 82 p 3

[Interview with Heinz Kuhrig, minister of agriculture, forestry and foodstuffs, by NEUES DEUTSCHLAND; date and place not given: "A New LPG Law--What Benefits Will It Bring for the Farmers? On the Discussions Preceding the 12th GDR Peasants' Congress--LPG's Are the Main Producers on the Land; Farmers in Cooperatives Have Achieved a High Level of Development; Increase in the Responsibility of the Brigades and Divisions; Fundamental Regulations on Cooperation; Social Equality With the Working Class"]

[Text] Question: On 19 December NEUES DEUTSCHLAND published the draft of a new LPG law and submitted it for discussion. What reasons suggested that the previous law should be replaced with a new one?

Answer: The LPG law in effect until now dates back to 1959. At that time the LPGs worked barely 40 percent of the agriculturally usefull land surface of the GDR. In the past years of successful socialist development, socialist production relationships have been created in the countryside and further perfected. The class of cooperative farmers achieved a high level of development. Their strengths and capabilities are to be felt even more strongly.

The LPG's today are a noteworthy factor in social and economic development in the countryside. They work about 86 percent of the agriculturally useful area of the GDR and are characterized by a modern and efficient material-technical foundation. Their advances in political, economic, and social development are notable. The new law is to take all this into consideration.

Contribution to the Fulfillment of the Main Task

Question: What is the aim of the new law?

Answer: Entirely within the meaning of the decision of the Third Central Committee Conference that the reliable assurance of the fulfillment of the main task of the 1980's depends upon the dynamic development of our agriculture, the new law is to contribute to the strengthening of what has been achieved and to create additional favorable conditions for the development of the productive forces and socialist production relationships in the countryside as well as for the creative marketing of the cooperative farmers. It is therefore logical,

in order to exploit remaining capacity, to rely on the great possibilities which are inherent in cooperative ownership and on the initiative and energy of the men and women cooperative farmers, who possess great knowledge and experience.

Above all, in the future we should more effectively utilize the Leninist bases of voluntarism, the self-responsibility of the LPG, the development of multi-faceted cooperative relationships and the material interest of the LPG and its members in the results of the work for the further emphasis of good cooperative work.

Active Participation Demanded of Everyone

Question: How in particular is the draft of the law oriented?

Answer: The draft submitted for discussion is oriented mainly toward the further strengthening of the LPG, especially through higher responsibility of the brigades and sections as well as toward a still closer cooperation of plant and animal production in the production cooperation groups up to the firm community work of the brigades and sections on the village level.

Without doubt supervisable collectives with their own plans and the material and financial funds and the land area or cattle herds necessary thereto are important conditions for the economic stimulation of higher and more stable yields and capacities. They also facilitate the active participation of each cooperative farmer in accordance with the fundamental principles of cooperative democracy.

Question: In detail what is new in the law?

Answer: The task of the LPG law in 1959 was to strengthen the young cooperative sector in agriculture and to promote the transition to the complete cooperative type of management in the countryside. Now it is worthwhile to regulate by law the growing importance of the LPG and the basic questions of the development of the class of cooperative farmers.

But I should like to stress at the same time that the basic provisions of the previous LPG law on the realization of the Leninist cooperative plan in the GDR are fully retained and have been made more precise or extended in accordance with the state of development. The continuity of the Marxist-Leninist policy of the party and government in agriculture is also reflected in it.

Associated with the retained basic provisions of the previous law, such questions as the following are particularly regulated:

--the role and responsibility of the LPG's in which the cooperative farmers are making a steadily increasing contribution to supplying the populations and industry and thereby simultaneously satisfying ever better their own material and cultural needs. This characterization is in complete accord with our constitution. In the previous LPG law the LPG's were treated essentially as large agricultural enterprises.

--The relationship between the development and strengthening of the LPG and the role and position of the class of cooperative farmers is also developed more clearly.

--The provisions on the position of the LPG in the developed socialist society and on its importance for the further perfection of socialist production relationships in the countryside and the gradual elimination of the essential differences between city and country are defined.

The section on the cooperative relations of the LPG's is new. A basic adjustment of the law was required for this. Cooperation has shown itself to be an inexhaustible source for producing more, better, and more cheaply in socialist agriculture, for shaping the uniform agricultural reproduction process, according to the plan and with high utilization for gradually carrying out the introduction of industrialized methods, and for promoting social development in the countryside as a whole.

Effectively Shaping Cooperation

A central question here is ensuring the effective cooperation of cooperative group partners through the cooperation group councils in the uniform reproduction process and jointly observing the responsibility for plant and livestock production. It is expressly indicated in the draft that the cooperation group councils are also to have an influence on efficient collaboration among the brigades or sections of the LPG plant and livestock production in the territories. And cooperation in this sense also means ensuring continuity in the economic development of all the participants in cooperation. Beyond the possibilities of clarifying such questions through the feed price and other inter-enterprise prices, the formation of joint financial funds in the cooperative group council is envisaged in the future. These funds are to serve mutual help in investment, rationalization, and reconstruction projects or as backup funds for overcoming encumbered shortfalls in plant and livestock production.

The regulations on cooperative soil utilization occupy an important place in the draft law. With them all required legal conditions are created to wrest the highest possible yields from the soil--with retention of the fundamental principle that the land is and will remain the property of the cooperative farmers.

The Level of the Best Is the Measure for All

It is a high obligation for every LPG to codetermine the highest attainable yield level under comparable natural conditions. Particularly in the context of the sharpening of the international situation, the strengthening of socialism in the struggle to maintain peace, and the worldwide changed conditions of reproduction, this gains tremendously in importance.

Question: The draft will ultimately also be judged by what rights and obligations are provided for each cooperative farmer. Are there provisions for this?

Answer: There is a special section on that. The right to work, to participation in the management and planning of the LPG, to compensation according to the quantity and quality of work depending on the economic result of cooperative production achieved; to education, leisure and vacation; to protection of health and working strength; to care in old age and incapacity; as well as security in illness and in the case of accident will henceforth be guaranteed to the cooperative farmers through a legal regulation with the force of law. This is an expression of how even in the legal shaping of working and living conditions of the cooperative farmers the essential differences between town and country have been overcome and are still being overcome further.

It must nevertheless be noted that everything which is related directly to agricultural production--such as questions of work time, work day rhythm, etc.--must correspond to the production requirements of plant and livestock production. The work must be carried out at the required times and in good quality. It has been that way in agriculture and will so remain.

With such rights, which affect the assured material and social outlook of the cooperative farmers, such as, for example, the rights concerning illness, work accidents, and vocational illness, the draft guarantees a full equality with the rights of workers and employees. This is once again a significant step in the social development of the class of cooperative farmers.

Emphasize Pride in the Farmer's Calling

Question: The public discussion has begun. What are the opinions?

Answer: The draft of the new law is having a great response among the men and women cooperative farmers. Their proposals and suggestions confirm that every LPG can have complete social justice on this basis and is instilling deeper pride in the farmer's calling. It is particularly valuable that the discussion of the new LPG law--closely linked with the consideration of the draft decision of the 12th Farmers' Congress of the GDR--is being effectively utilized to fulfill and excel the challenging tasks of the 1982 economic plan. Such vocal expressions of opinion are actually very useful and the best contribution of the cooperative farmers of agriculture to a further successful realization of the decisions of the 10th SED Congress.

6108
CSO: 2300/157

FOREIGN TRADE RESULTS FOR 1981 SCORED

Budapest NEPSZABADSAG in Hungarian 3 Mar 82 p4

[Article by P. E.: "Foreign Trade Balance Improved; Tasks This Year More Difficult; Minister Peter Veress' Press Conference on Our External Economic Contacts"]

[Text] Tuesday morning Minister Peter Veress held a press conference in Parliament about last year's achievements of foreign trade and about the tasks this year. He emphasized that despite conditions substantially more harsh than expected our foreign trade developed favorably in 1981. When planning the 1981 tasks we started from the assumption that there would be some improvement in the capitalist economy in the second half of 1981. However, this did not occur. The developed capitalist countries also tried to ease their internal economic problems with trade policy measures, they strengthened protectionism, dumping initiated against foreign shippers became more common and phenomena indicative of discrimination multiplied.

Cooperation with socialist countries played a stabilizing role in our foreign economic contacts. The unfavorable phenomena in the capitalist economy did not affect the continuity of this cooperation directly but as the combined effect of the moderation in internal use which could be experienced in socialist countries and the narrowing of the export goods base the expansion of mutual trade was at a lower rate than usual in earlier years.

According to the Plans

World trade as a whole stagnated in 1981. The unfavorable phenomena strengthened primarily in such areas as metallurgy, light industry, the chemical industry and certain branches of the machine industry but could also be felt in the foodstuffs economy.

Despite this unfavorable situation our foreign trade as a whole came up to what was planned. The total foreign trade of 613.7 billion forints--calculated at border parity and current prices--exceeded that of 1980 by 5.6 percent. Within this export increased by 6.8 percent and import increased by 4.8 percent. Calculated at the previous year's prices the growth in export was 3 percent and that of import was 0.3 percent.

Ruble trade developed according to the inter-state agreement; our export exceeded that of last year by 8.9 percent and our import exceeded that of last year by 5.3 percent. The share of the socialist countries in our trade was 55 percent. Almost one third of all our trade was with our most significant partner, the Soviet Union. Our second most important partner among the socialist countries was the GDR, followed by Czechoslovakia, Poland, Romania and Bulgaria. The growth in our export derived from a 4.7 percent price increase and a 4 percent quantitative growth in products exported. Our terms of trade in the ruble relationship deteriorated as the result, now being felt, of world market price changes of earlier years. In the structure of our ruble accounting export, as compared to the preceding 3 years, the ratio of machines decreased and the ratio of materials and parts increased. Deliveries of metallurgical and chemical industry materials expanded considerably in our export.

The value of our ruble accounting import increased by 5.3 percent, but taking into consideration the significant price increases the quantity of imported products decreased for the first time since 1976. (The import of machines and investment goods decreased by nearly 15 percent.) Despite the fact that the ratio of fuels increased in the structure of imports their quantity moderated. The price increase for these products exceeded what was planned. The quantity of materials and semifinished goods imported increased somewhat. In part the increase in the import of foodstuffs articles derived from price increases also but the quantity of sugar, refined alcohol and beer imported increased also.

Specialization and cooperation agreements are very important areas of our cooperation. The great majority of our contracts here have been extended to the Sixth Five-Year Plan and despite the difficult international economic conditions they are being fulfilled according to plan. The minister pointed out that the integration and cooperation of the socialist countries have stood the test of the more difficult conditions and have a great role in the fact that the Hungarian economy--despite its increasing problems--weathered the disadvantageous developments in the world economy and international politics without more serious shocks.

Quickly Growing Machine Import

The balance for the exchange of goods in non-ruble accounting was practically even. A role was played in this by the fact that our terms of trade in non-ruble accounting trade improved by more than 2 percent. The 4.7 percent growth of non-ruble accounting export was comparable to the 1980 achievement, but fell below what was planned. The increase in the export of foodstuffs products was swiftest. The export of chemical industry products developed favorably and machine industry sales increased at a rate exceeding the average.

Non-ruble accounting import exceeded what was planned only slightly. There were no very significant structural changes within the 4.4 percent growth. The share of materials and semifinished products decreased; that of machines increased. The minister called special attention to the increasing trend for the import of machines and parts. Cooperation with capitalist firms was a

significant element in our contacts in a bad world trade situation and despite political tensions.

Trade with the developing countries was a significant factor in 1981 in improving the balance, primarily as a result of the dynamic growth in export. Our most significant partners in the developing world from the viewpoint of our export were Iraq, Iran, Libya and Algeria and, in regard to import, Brazil, Iran and Pakistan.

There are more than a few problems behind the achievements of our foreign trade last year. Our export to industrially developed capitalist countries declined and our import from these countries increased further. We were able to export fewer goods than earlier to Italy, Great Britain and the FRG.

Exploiting the Possibilities

The attempt to arouse a cold war mood is weakening the interest of business and financial circles in some western countries in regard to the products of the socialist countries, including our homeland, an interest already shaken by the economic slump. At the same time a number of our economic units producing for export do not yet have sufficient flexibility or adaptability. The market and foreign trade organization and activity, which are developing a great deal, are frequently at a disadvantage.

Carrying out this year's foreign trade tasks, the minister emphasized, will require more deliberate leadership and organizational activity and cooperation from guidance organs and better quality, disciplined work from producers and those engaged in foreign trade. The possibilities must be exploited better especially in the processing industry and in some brances of it the backwardness must be overcome. It is encouraging that the machine industry, for example, has more orders today that it had at this time last year.

There are still many unknown factors on the capitalist market but according to estimates which seem realistic a certain revival can be expected by the second half of the year. The world political situation also influences our possibilities but a number of signs indicate that the majority of western countries do not want to limit their economic contacts with the socialist countries, so we can count on a normal development of our contacts. The extent to which we will be able to exploit our possibilities depends in large measure on the enterprising spirit and good work of the producing enterprises and on the deliberate activity of the entire apparatus called upon to develop the external economy.

8984
CSO: 2500/153

DOMESTIC FINANCIAL SITUATION IN 1981 SURVEYED

Budapest FIGYELO in Hungarian 24 Feb 82 pp 1, 11

[Article, no author given; information by the MNB (Hungarian National Bank): "Credit and Money Circulation in 1981")

[Text] The financial situation of the economic operating organs was better balanced in 1981 than in the previous year. Material and merchandise movement expanded among the enterprises and the flow of money also more closely followed the shipments. This better supply of money was made possible primarily by better planned economic operation and by the profits attained; but the market opportunities and the more difficult conditions led to increased differentiation. Profits were also affected by changes in prices and in regulators. The better self-financing ability decreased the growth rate of revolving credit, improved liquidity and strengthened the investment efforts.

Paying ability improved in general, the number of enterprises owing significant sums for long times, and the amounts they owed, were much smaller in the months of January through September than a year earlier. But new payment problems appeared in the fourth quarter at a few of the major enterprises (in metallurgy, machine industry, and construction industry) due to sales, transportation and other problems. The deposits of enterprises and cooperatives in the banks exceeded those of a year earlier; liquid account deposits were 33 percent higher at the end of June and 5 percent higher on the 31st of December.

The revolving asset demand of the economic operating organizations grew more slowly in 1981--in spite of the increasing production and sales--than a year earlier. The already mentioned increased liveliness of the financial processes, as well as the more favorable private resources than a year earlier, played roles in this. The role of liquid asset credit strengthened in financing tasks of the temporary nature. Most of the economic operating organizations covered their sources of regular and long range inventory increases by replenishing their revolving funds in advance.

The enterprises and cooperatives submitted loan applications for revolving credit in the amount of 409,000,000,000 forints to the bank during the year. Compared to the previous year demand increased in industry, agriculture and in the area of transportation, but decreased in the construction industry. The ratio of rejected applications was 8 percent, representing no change from 1980.

The amount of revolving asset loans granted totaled 376,000,000,000 forints, and this was two percent higher (it was seven percent higher in 1980) than the amount approved in the previous year. (Industrial production increased by 2.3 percent in 1981, the production of agricultural products remained at the same level as in the previous year, and retail sales increased by a greater extent.) Based on the contracts entered into, the obligation to extend new loans represented 89 percent, renewal of earlier contracts represented a ratio of 11 percent.

Industrial branches received 51 percent, the construction industry 10 percent, agricultural operations 14 percent, transportation 24 percent, and miscellaneous other branches 1 percent of the new loans. Compared to the previous year, industry's share decreased by a few percentage points, those of agriculture and transportation increased, while that of the construction industry remained unchanged.

The enterprises and cooperatives received 58 percent of the 320,000,000,000 forints of the total short range loans to finance temporary inventories. Another 14 percent were justified by preventing financial demands (mostly capitalist demands), and 12 percent were used to replace cash shortages due to the formation of private resources, and to decrease profits. And, finally, the bank made 16 percent of the short range loans to th enterprises in order to prevent liquidation or other money supply problems. The temporary lack of equilibrium between incomes and expenses, and the demand for loans to help in the transition, decreased in comparison with the previous year.

According to the contracts the average time span for short range loans was 6 months in 1981, and this is 13 days longer than in the previous year. The repayment of loans proved to be better planned during this year, and there were fewer requests for deadline extension.

Medium range loans to make advances for revolving assets amounted to 4 percent (12,000,000,000 forints) of the total authorization. The 28 percent increase compared to the previous year was connected basically to investments, and this justified that the time for 40 percent of the approved loans exceeded 3 years.

The bank made the approved revolving asset loans in 1981, and the amount of payments in arrears when due was less than in the previous year. In general the enterprises and cooperatives put their accounts in order within a few days when they were placed on the overdue list due to the lack of financial coverage. At year's end the size of the overdue account inventory earning late payment interests was even less than one percent of the total outstanding loans.

The total amount of loans made for revolving assets rose more moderately between 1 January and 31 December than in the previous year. The economic operating organs used 4 percent more loans on the average in production (industry, agriculture) and 9 percent more in commerce than a year earlier, to do their jobs during the year.

Investment Loans

The demand for investment loans and for authorization were characterized by a more vigorous enlivening than usual during the first year of the 5-year plan period, in connection with the opportunities. Investment goals to improve the [foreign] payment balance, and certain enterprise developments--which in terms of projected cost even reached the size of major investments--continue to represent a significant ratio.

In 1981 the state enterprises and farms together submitted a total of more than 40,000,000,000 forints of investment loan applications to the bank, and they intended to make use of about one-fifth of that sum by the end of the year. Increase in demand is characteristic primarily for the industry, and for the food industry as well as for transportation and communication. The loan applications were well prepared on the basis of previous consultation, and this is one of the reasons for the small sum and low ratio of rejections.

On the basis of applications received during the year and applications not processed at the end of the previous year the bank authorized a total of 20,000,000,000 forint investment loans for state enterprises and farms. Primarily the implementation of those investments was encouraged which will insure expansion of convertible exports and controllable and lasting replacement of imports in the future. Developments aimed at rationalizing the energy consumption, and utilizing byste and secondary raw materials have also gradually gained emphasis. About 70 percent of all the approvals were connected with industry's developments, while the food industry received 17 percent and the other branches 13 percent.

The average length of time for the loans for investments--according to the contracts--is 97 months (nearly identical with the figure a year earlier.) The average is higher in industry (103 months) and lowest in transportation and communication (67 months).

In connection with the investment loans authorized in 1981, the promised profitability per 100 forints of loan value is 23 forints, and this is 5 forints more than a year earlier. The industrial average is 26 forints, while in other branches it is 14 to 20 forints.

In the cooperative sector the investment loan relationships of the agricultural producer cooperatives are the most significant. The combined total of the applications submitted is more than double of that a year earlier, and approvals reached almost 6 billion forints. The increase in the private resources of the TSZs [producer cooperatives] and the interest in export expanding goals broadened the development efforts.

In general the economic operating organizations fulfilled their loan repayment obligations; at times payments were made even ahead of the schedule.

Due to the effect of repayments the amount of outstanding investment loans decreased between January and September; but in the fourth quarter the increase in the rate of making new loans increased its volume.

The Population's Cash Income and Purchases of Goods

The population's income situation turned out more favorably than projected in the annual plan, due to the more vigorous spending of purchasing power than was expected. The real value of cash income increased by about 2 percent, while consumer price levels increased within the planned limits.

The spending of money also broadened. Goods offered by the retail trade satisfied the demands better than a year earlier. The increase in sales was derived in the ratio of about half and half from increases in volume and increases in consumer prices (a year earlier it was all from price increases). In addition to the increased costs of buying goods, the population's savings also increased much more than was expected.

Cash income derived from the socialist sector was more than 7 percent higher in 1981 (9.5 percent last year) than a year earlier. Income derived from performing work increased significantly more than planned. Wages paid in cash (without the wages of TSZ employees) was 4.6 percent higher than last year. The economic operating organs--based on their wage reserves and on the relatively favorable formation of profits--implemented wage level increases in excess of the plan. Average wages of those employed in the socialist sector increased by 6.8 percent--which is more than had been planned. Miscellaneous personal income was 7.3 percent higher than last year. Profit sharing by the enterprises and cooperatives increased about the same as in 1980, mid-year bonuses and premiums increased by about 10 percent.

Among incomes derived from agricultural production, the wages of TSZ members for work done increased by 6.8 percent, the wages of TSZ employees rose by 21 percent. The increase was related to doing more work and mainly to increased productivity, higher employment and wage levels in the sideline operations. Among the payments paid out of profit sharing funds the supplementary sharing related to the final accounting for the year 1980 at the beginning of the year was 20 percent higher than in the previous year, but the 1981 payouts (bonuses, rewards) were not as high as a year earlier.

The population's income derived from the sale of agricultural products--including wholesale purchases from the small producers to the large central farms--was 7.2 percent higher than a year earlier. The excess was derived mainly from higher prices. The quantity of slaughter hogs which make up the largest portion of sales by small producers, fell short of the 1980 value, but the high number of sows at the end of the year already reflects the effect of measures taken earlier. Cattle stock decreased in the household plot and auxiliary farming operations. Interest by small producers in keeping sheep has taken an upswing.

Social benefits paid in cash developed close to the plan and were about 8 percent higher than in the previous year. Most of the increase affected the retirement benefits (the number of people entitled to it increased, the amount of recently set retirement benefits is higher, and the lower limit for the annual changes has also been raised).

Retail sales of goods for cash surpassed in 1981 the previous year's value by 9.3 percent. The higher sales of goods reflects better selection of goods than a year earlier in the sales of consumer goods, and the population's increased intentions to make purchases (83 Fts of each 100 Fts of income were spent on purchasing goods). The improving business policies of retail trade enterprises, their balanced restocking of the merchandise, as well as the sales problems of the domestic production enterprises on foreign markets and the belated arrival of import left over from the previous year all played roled in the increased sales.

8584
CSO: 2500/148

CAPITAL CUTS FAIL TO IMPROVE INVESTMENT SYSTEM

Budapest Figyelo in Hungarian 17 Feb 82 p 3

[Article by Mrs. Robert Hirschler, Ph.D.: "Expensive Austerity: The Profitability of Investments"]

[Text] Since 1976, the central direction of the economy has consciously tried to "harden" the limit of investment expenses. For the present financial arrangements support requirements for high profitability, and they enforce accountability in regard to investments. (See figure 1 for data measuring the development of this effort.)

In the case of investments based on credits from the MNB [Hungarian National Bank], a wide range of requirements for profitability in relation to capital has developed. Between 1976 and 1982 this fluctuated in a band between 12 and 20 percent for industry, whereas for preferred borrowers it was limited to between 5 and 15 percent. It is worthwhile to examine thoroughly the question of whether or not the profitability requirements incorporated in the annual guidelines for credit policy turned out to be sufficient for self-financing of developments during the period of the Fifth Five-Year Plan.

For if an enterprise counts on a profit in relation to a capital as projected and compares this (after payment of interest) with the income from investment to the development fund, or with the amortization remaining to the enterprise from the capital formed as the result of investment, and they assume that they will create their own resources for investment, as also prescribed in the guidelines for credit policy, then the amount of investment money for which supplemental financing must be found is between 13 and 36.5 percent of the total. In other words, the profitability requirement for investments was not enough, in the long run, to provide for a repayment of the investment. According to our calculations, with the present regulators an investment with about 25 percent profitability is sufficient to repay itself without additional participation.

It is valuable to illustrate all this with the example of the regulators of 1981. The profitability requirement was 14 percent, and interest in the first nine months was 9 percent. According to the amortization plan, half of this--4.5 percent--decreases the gross income remaining with the enterprise. Thus out of the profit, about 9.5 percent (14 minus 4.5), 3.2 percentage points, about one-third, goes to the enterprise's development fund. From the enterprise amortization--including a yearly depreciation of 5 percent--3 percentage points

go to the development fund. These two factors together make 6.2 percent, and taking into account the 10-year pay-back time, the enterpris· is thus able to pay back 62 percent from the results of the development itse.f. Last year the compulsory self-resources were eliminated, so that taking into account the "rules of the game," that certain "supplementary source of financing" has to be found to the amount of 38 percent.

The pressure of rising prices

According to calculations, therefore, even very high profitability requirements cannot guarantee sufficient growth in an enterprise's own resources to make pay back possible. In this way the situation has arisen that credit can be extended only in conjunction with extensive use of the enterprise's entire development fund.

The level of enterprise indebtedness has not risen significantly during the last 10 years, to be sure (it has been about 20-25 percent of the development fund), but it is worth noticing that in certain branches (for example in metallurgy and light industry) the burden on the development funds has exceeded 50 percent. It is also not without interest that indebtedness has been concentrated in 10 percent of the enterprises, where its total has even exceeded 75 percent of the development funds accumulated annually.

At the same time, an examination of the profits actually realized in relation to capital, measured against the profitability requirement in force at the time, shows that the profitability requirement itself has become a strong force for driving prices upward. This was especially true in 1976 throughout all industry, and in 1977-78 in metallurgy, machinery, and partly in the chemical industry and in light industry; in 1981 the profitability requirements in industry -- except for food and light industry -- were excessive.

Development with above-average profitability must be encouraged with credit. This expresses the selective function of credit. But an examination of 1980 credit and loans shows that these concepts were not realized; a significant portion of the investment credits were found in enterprises with low profitability. Between 45 and 54 percent of the amortization obligations connected with bank credits and support credits and more than 70 percent of the state loans are in enterprises with less than 8 percent profitability.

This also means that the enterprises have not been able to meet the profit bility requirements, and so the over-indebtedness that accompanies lower profitability encourages enterprises to raise prices.

Diminishing Budget Appropriations

Investments that make use of state loans must have a profitability such that they can undertake to pay back the loan from untaxed profits and gross amortization in 10 years, with a current interest rate of 10 percent. About half of the large investments that were decided on before the period of the Fifth Five-Year Plan -- and that have concluded in recent years -- were based on state loans and about half on budget appropriations. This ratio for large

investments begun after 1976 has changed to 72 versus 28 percent, in favor of state loans. (See chart 2.)

The chart also shows that an increasing resource for payback has been profit (from 29 to 52 percent), which also in this field means an increase in profitability requirements for investments, but it also has an upward-driving effect on prices.

Construction from budget appropriations also supports a high profitability requirement -- 17 percent, but it must also be seen that since only those developments participate in this that promise at least that level of profitability and can pay back out of untaxed profits, the price-raising factor only appears to the extent that projections of future income are unrealistic.

The above-mentioned motivations encourage the selection of profitable investment alternatives, but at the same time one cannot neglect their upward-driving effect on prices. Experience has shown that high levels of profitability requirements force price levels, rather than efficiency, to increase. If this were not so, then investments at a higher level than planned should result in a greater than planned increase in national income. But this is not the case. Therefore, we must come to the conclusion that the hunger for investments and a tendency to grow independent of economicalness find financial resources for themselves.

The size of the pay-back obligation, the interest burdens, which are not samll, and the above-average wage level of the workers operating the newly installed equipment already have an influence on the activity of the entire enterprise. The enterprise, even in the course of planning, starts from the size of the pay-back obligation, the commitments of the development fund, what funds are needed to provide for the tax burden of guaranteed wage increases and bonuses, or in other words how mucn profit or price income must be achieved. If all these conditions do not come out favorably at the given price level, then price bargaining ensues.

It is worth noticing that even though giving credit supports high profitability requirements, the tension in the investment market is relieved only slowly. If, however, in the process of making investments actual expenditures repeatedly exceed planned expenditures, then the calculations relating to pay-back obligations develop in an unfavorable direction for the enterprise.

The Cost of Limiting Demand

Continual efforts have been made during the past 5-6 years to moderate market tensions through economic regulation, while at the same time the partners participating in the process of investment were determined by central designations, the price of investments goods were mostly established by government price regulation, and measures that reduced investment buying power were introduced.

One such is the 20 percent building tax to be paid after the construction work, which has the goal of moderating demand for the building industry, but at the

same time it results in an increase in development costs. A similar kind of expense, until 1981, was the investment charge (though it was paid by the budget) and the 20 percent reserve accumulation that regularly was added to investments involving significant construction.

The increasing interest burdens, which also moderate excessive demand, today already amount to 50 percent of borrowed capital, which increases investment costs until operation begins and production costs thereafter. In the process of execution -- by the system of designation -- the government has permitted additional factors that increase cost, in particular a markup 5 percent higher than normal could be charge for construction work and 7 percent for installations. (This possibility made for a higher income for contractors and installers, regardless of performance, and at the same time made investment more expensive.)

From this point of view of individual interests, there are still other incentives for increased investment (though it is true that this area has become smaller; in 1981 there were only 12 of this kind of investment underway): between 20 and 25 percent of the basic wage of workers affected was paid under this heading. At the same time as investment is made more expensive in this way -- as shown by studies -- deadlines were met by only 12 of the 43 large investments completed during the period of the Fifth Five-Year Plan.

Taken together, the measures to moderate excessive demand and the increase in profitability requirements have not succeeded fully in promoting more economical investments. But the goal was clear: to make harder the conditions under which investment decisions could be made and realized. The final result, however, has been basically that investment has become more expensive. The efforts bogged down in the preparatory phases of investments. The requirements for investors restricted them so that during the process of execution the fundamental changes could not be made that would have enforced construction and installation work that would be efficient from the point of view of the national economy.

9611
CSO: 2500/143

ASSOCIATIONS BETWEEN PRODUCING, EXPORTING FIRMS PRAISED

Budapest MAGYAR HIRLAP in Hungarian 4 Mar 82 pp 1, 4

[Article, no author given: "The Joint Taking of Risks Increases the Exports"]

[Text] Association Contracts Between Foreign Trade Firms and Producing Enterprises

> The foreign trade enterprises are competing with each other, since more and more industrial enterprises and agricultural operating units are taking advantage of the opportunity to select their own foreign trade partners. Since they have been entering into association contracts with each other, the export results have been improving--the risks are being accepted jointly.

Lately several foreign trade enterprises entered into association contracts, which are also based on joint risktaking, with their industrial partners. They share the profits and losses, and also jointly undertake the future developments. And a number of industrial enterprises are increasingly taking advantage of the new opportunity of themselves choosing their foreign trade partners. Experience has shown that all this improves their competitiveness on the world market, and through this the exploitation of export opportunities.

The Generalimpex [General Merchandise Foreign Trade Enterprise] came into existence a year and a half ago for the very purpose of competing with the other foreign trade enterprises. Since then many producing enterprises--regardless of their production profiles--switched over to the new firm. Since the beginning Generalimpex has been entering into association contracts with the producing enterprises; most recently, for example, with the Debrecen Canned Goods Factory. The export contracts are signed jointly, and representatives of the producing enterprise also participate in the negotiations preceding it. The producer sets the prices below which it is not worth selling the product. It is worth the foreign trade enterprise's while to get a better price because they share the profits proportionately. There are also cases--since there is a risk--, when the partners have to distribute not a profit but a loss among themselves. Recently, for example, the buyer found the products of an agricultural cooperative to be of poor quality and was willing to accept it only at a reduced price. This loss of income was equally shared by the wallets of the cooperative and of the foreign trade enterprise.

The Chemocomplex [Import-Export Enterprise for Chemical Industry Machinery and Equipment] was the first one in the country to enter into association contracts back in 1967 with the Chemimas Chemical Machinery Design and General Contracting Enterprise based on the joint acceptance of risk. Since then this agreement has been developed further in such a way that the foreign trade enterprise and the industrial enterprise share a 25-75 percent ratio, respectively, in any profits or losses. Primarily the cooperation covers the delivery of complete paint factories but they are also exporting chemical industrial facilities to the Middle East now on this basis. Earlier they were in a traditional, so-called consignment relationship with OKGT [National Oil and Gas Industry Trust], whereby in essence the foreign trade enterprise had no interest in the business and could not guide in a more profitable direction either the production or sales. Since the association contract was executed their oil well drilling and pipeline construction activities have increased and recently they have begun such jobs in the neighboring Austria also, after the Middle East. In addition they have also started to export products which do not fit into the enterprise's profile at all, taking advantage of the opportunities provided by the competition among foreign trade enterprises.

For the last few months the Chemocomplex has also been exporting the gas generators of the Gabor Aron Iron Foundry and Machine Factory which has split off the United Incandescent [Firm], even though the factory "inherited" its export rights but until now it has not been using it.

The Intercooperation Commerce Development Company in the past only set up production cooperation projects between domestic and foreign enterprises. More recently--using the export rights acquired in the meanwhile--they have also been successfully undertaking the sales of a whole series of products on foreign markets which until now we have been unable to sell at all, or sold only smaller quantities through other foreign trade enterprises. They have thus begun to export good quality but not famous name wines, various fruit juices and purees. Their salesmen also saw good opportunities in the export of beautifully executed glazed tiles for [room heating] stoves. The portable and roll-around glazed tile stoves are made by a factory in Esztergom and the Intercooperation Co. is already delivering them to Austria and the FRG. The company wants to enter into association contracts with its new partners, so that by creating common interests they could take even better advantage of the export opportunities.

Live sheep from Hungary are enjoying increasing demand abroad, this is illustrated by the fact that last year the Terimpex [Foreign Trade Enterprise for Livestock and Crops] sold 30,000 tons of them and this year they will further increase exports. But Terimpex needs reliable merchandise sources for this. Therefore the enterprise created advantageous conditions for the sheep raising farms. It gave them export incentives by not only paying them wholesale purchase prices but also by returning most of the profits derived from exports to its partners who then in turn can use this money to modernize their raising and feeding technologies, improve their breeding work, and develop standardized stock. The favorable signs of these efforts can already be felt: this year's first sheep shipments to Italy and the Middle East were more valuable than before.

During the last 2 years the Hungarotex [Foreign Trade Enterprise for Textile Goods] has set up several foreign trade associations with its industrial partners. The wool, yarn-and-silk, knitting, and confection industrial associations handle 83 percent of the capitalist export and 70 percent of export to the socialist countries. These forms of cooperation have proven themselves well, because since then their participants have developed joint pricing and market policies, coordinated their work, avoided duplications in production and obtained more detailed information. They have, for example, also coordinated production developments for the time period of the Sixth Five Year Plan. They are helping build up the various cooperative relationships together. At the present time they are negotiating mainly about topics concerning industrial cotton yarn with foreign firms, concerning eight [separate] cooperative projects.

8584
CSO: 2500/155

STATE ENTERPRISE ATTITUDE TOWARD SMALL BUSINESSES EXPLORED

Budapest HETI VILAGGAZDASAG in Hungarian 13 February 82 pp 28-30

[Interview with Mrs Bela Szurovecz, managing director of the Budapest Stocking Factory; Istvan G. Rakoczy, technical department chief of the computer Technology and Automation Research Institute; Janos Pomucz, economic deputy director of the Food Industry Machine Manufacturing Enterprise; and Geza Csillag, chief engineer of the Electronic Automatic Prime Contractor and Manufacturing Enterprise by Agnes Tibor; no date or place given]

[Text] [Question] Not a day passes without the news that some people have decided to form an association in the hope that they will be able to profit more successfully through their capabilities. The new forms of undertaking provide a way of making this possible; the small number of personnel involved, the low overhead, and the flexible organizational system make adaptation possible, and the members are directly interested in profit. Do they represent a challenge, a danger to the large enterprises operating in the traditional form?

[Mrs Bela Szurovecz] I think that if an enterprise is able to compete with the new forms it has nothing to fear. That the enterprises in general will be capable of this, I cannot as yet say with certainty. With us, the key problem is to keep from losing skilled workers in critical work areas. I hope this will not happen. Manpower mobility has always existed, and probably always will; one should not be surprised at this in a three-shift place of work, but this year we have tried to raise wages to a level and differentiate them as much as possible in a work ratio that will truly stabilize good workers. Today a machine operator may have a monthly take-home pay of between 3,500 and 10,000 forints. But we have experiences that with these wage increases the tolerance of society, or at least of the immediate environment, is less vis-a-vis these wage differences than would have been desirable with the given differentiation.

Besides drawing off manpower, the small enterprises can cause problems also by their competition. This does not appear to be a problem for the stocking factory; our products are much in demand, they cannot be substituted, and they could be manufactured on an artisan scale only in special styles and at much higher prices.

[Istvan G. Rakoczy] Small enterprises could in fact represent competition for us in the case of small industrial orders. But we do have a great advantage

over the small enterprises: the name of the institute, which not only means a quality guarantee but also gives a sense of security, is on the bottom of every contract. This may be decisive even against the possibly substantial advantages offered by small enterprises. I see a greater danger in the possibility that our best workers may join a small enterprise and leave us in the hope of greater income. And still, I believe that many will continue to choose research and all those advantages which the institute offers. These are background, enviroment, means for research, conferences, and research grants abroad.

[Janos Pomucz] Actual or potential difficulties that may be caused by small enterprises should be divided into two areas. If you are asking whether they will reduce our marketing possibilities, the answer can be clearly negative. In my opinion, the small enterprises will not equip themselves for the manufacture of producer means because this is very intensive in fixed and working assets; for example, one planer-type milling machine costs 7.1 million forints. Such equipment requires a relatively large facility and appropriate conditions. I could, of course, conceive that an association or small cooperative might equip itself for the manufacture of small bakery equipment, or let us say for pancake making equipment. This would be an expressly good development for it would supplement our activity, and we would not be expected to do the manufacturing work. As for the other aspect of the question, we must be prepared to see that qualified manpower will consider whether it would not be better off engaging in an association form. We are primarily concerned about our 2,000 manual workers. Of course, it will all depend on how much one can earn in the framework of the small undertakings. If these result in more income than working for us--and it is likely--we will have a hard time of it because we cannot pay enough to good workers. If some of our workers who earn 6,000 forints a month leave us for a small enterprise in hope of 12,000 forints a month, the pay of those who remain with us cannot, under present regulatory conditions, exceed 8,000 forints.

[Geza Csillag] Our management received the news of these initiatives with great happiness for we believe that there will now be opportunity to interest workers in the quick and effective solution to several tasks. About 500 developers-planners work for us, and about 300 of these have higher degrees. The small enterprises raise for us the need to establish more exactly in these development jobs what work investments are required by each task. Let me give an example: in the development of software the goal is to make the program short as possible because in this way the price will be lower. But a short, intellectual solution requires more time to prepare than a loosely worded one. We must, therefore, above all, define exactly the work requirement of a given task in order that we can control the optimum use of the working time. I see the second problem in that efficiently operating small enterprises will cause distortions and tensions in earnings, which the enterprise will have great difficulty in compensating from its own funds. Given the present conditions of wage-level regulation, the enterprise has no way of paying valuable people. It can pay one or two, but not more. If the enterprise regulations make it possible for us to give the enterprise workers orders which up to now we have given to others, and to pay as cost, then we will make out well with the small enterprises.

[Question] In the encounter between enterprise and small enterprise there are two basic forms: one is an association coming from the outside, and the other consists of workers inside the enterprise who would like to form a work team, a PJT or small cooperative. Let us look first at the former. What do you do when the representatives of an unknown economic work team knock at your door and offer their services?

[Mrs Bela Szurovecz] Such an association has not as yet come to us, but if one should come and propose producer cooperation, and not mediating activity, I would gladly enter into discussions. Of course, we would obtain references. This may not be easy, particularly at the beginning; the achievements of a large enterprise are there in the background, but frankly I do not know how one might obtain reliable information about unknown small enterprises.

[Istvan G. Rakoczy] In some cases we could flexibly expand our capacity with the use of economic work teams if it were necessary for a given industrial order. In the near future, for example, we wish to sign small enterprise contracts for tool planning systems assisted by computers, the scientific base of which is represented by the work of SZTAKI [Computer Technology and Automation Research Institute of the Hungarian Academy of Sciences] while the programming work could be done by an outside economic work team. Naturally, in such cases we would have to proceed very carefully, prepare the contracts very precisely, define the detailed tasks, request exact documentation in order that we might give the work at any phase whatever to others if the partners did not turn out to be suitable for executing the task.

[Janos Pomucz] I think that any association which approaches our enterprise knows our profiles and our needs more or less. It must be significantly less expensive than any of our present co-operators, and in an event it must overcome a certain absence of confidence. In my opinion it is in the interest of the small enterprise not to enter into anything which would exceed its capital strength; the enterprise must watch out for this carefully when it signs the contract. It is true that we take risks even when we make an agreement with a state enterprise. The small enterprises have something to look for at our enterprise and we would gladly transfer to them certain areas. Not long ago, for example, we took over an unprofitable product, and we developed in its place a more modern interchangeable family of machines which can be built like building blocks, but the price is six times greater than for the original because of the high technical level. Certainly, not all the former users will need this new family of machines, and an economic work team or a small cooperative could manufacture a medium price product.

[Geza Csillag] In this country--at least in our line--references are not a problem because those who have a name already know one another. But this does not solve the problem of risk, for everyone can make a mistake. As prime contractors, we always risk something. However, we are justified in fearing that if an association does not fulfill its undertaking--to the value perhaps of only several hundred thousand forints--and for this reason an investment worth a hundred million forints will be delayed, we will have no one to hold responsible for the loss. It has happened in the past that we ordered the performance of a given task from an enterprise, but here we could give out a job worth several million forints, and if it was not fulfilled we had the possibility of penalty payment.

[Question] If the workers of an enterprise get the idea that it would be good to establish a small enterprise, they would not have to struggle with the references at their own enterprise, and the problem of risk would not rise so much. But it is not certain that they would in any event give advantage to an order they received from their own enterprise.

[Mrs Bela Szurovecz] If a worker does his enterprise work adequately and we cannot give him separate work within the enterprise, we will know that he wants to work for someone else. Of course, we would prefer to have him work for us, and we will try to create the possibilities for this.

[Istvan G. Rakoczy] It does not make us very happy if a SZTAKI worker wants to work for another firm. It is to be feared that he will do all this during his working hours, he will use enterprise machine time, and it may even be that he will sell software prepared in the institute. Therefore, in such a case very strict supervision is necessary. We would prefer if our workers worked for us also outside of working hours.

[Geza Csillag] We have a great deal of work, and it is not likely that our workers would resort to obtaining orders from elsewhere, but of course we do not have the means to prevent this. The regulators make it possible for our enterprise workers to create associations for activity outside of working hours. With this, efficiency increases and the participants also come up with their calculations. But behind calculating the material returns, certain moral problems arise which are difficult to solve with regulators. If a manager hands out a job with special income possibilities, he can easily be charged with having been biased in favor of the group. Therefore, I regard it as very possible that in some places the managers take the easy way out: if it is not necessary, they do not take risks--especially if they can be censured for it.

Another concern is that an enterprise may order certain tasks to be done at various associations, but everyone cannot form an association; there must be those who coordinate, supervise the work of the association. It is a question of how we can pay them.

[Question] How can an enterprise approach these small enterprises that are being developed so as to benefit themselves?

[Mrs Bela Szurovecz] We regard the enterprise economic work team as a good solution for our good workers. Those who are now performing at a high level can also acquire additional income for additional work within an economic work team; they will remain at the enterprise and feel comfortable. We have taken the initiative into our hands, we are searching for the machines and the products and are working on operational conditions. We would like to start on 1 March the first economic work team. On the basis of this experience we want to proceed further. I think that there will be interest not only among our manual workers but also some economists, engineers and perhaps administrative specialists.

[Janos Pomucz] As I have said, there are some activities which for the sake of the clarity of outlook our enterprise would like to detach. For example,

our plastic processing plant is hardly related to our main profile. We have had the idea of establishing a branch enterprise, and this would be favorable for us. Similarly, we would be glad to give out to a small enterprise one of our automobile services, which the council will not let us close down. But I cannot imagine that we could give one of our shops within the factory to a small enterprise, this is technologically inconceivable.

[Istvan G. Rakoczy] Our idea is to establish institute "household forms." We would create work teams of some of our workers for well defined subjects--they would not receive pay from the institute, but their income would depend only on the results they arrive at. Following the completion of the task, the members of the work team would return to the institute personnel, and a new work team could be formed from other workers for other tasks. This would create a constant and healthy circulation so that after years of intensive research work everyone would also receive appropriate material reward for the introduction and realization of results.

[Geza Csillag] We are already organizing a permanent group of experts which will judge the time base that can be devoted to a given job. When this is ready, we shall have to decide which part we will give to external or internal economic work teams and which part we will retain as enterprise tasks. In extreme cases, it would be advisable--independently of whether the workers will perform the task in work teams or as enterprise employees--to sign a contract for every job, carefully distinguishing the tasks to be carried out in working time and after.

6691
CSO: 2500/145

FUNCTIONS OF MANAGEMENT-ENGINEERING COMPANIES REPORTED

Budapest FIGYELO in Hungarian 3 Mar 82 p 2

[Article by Janos Deak: "The Industrial Management-Engineering Institutes"

[Text] Following the establishment of the Ministry of Industry--pursuant to the resolution of the Council of Ministers--the so-called support institutes were reviewed. These were the institutes and bureaus that provided support for the administrative activity of the previous industrial branch ministries.

The activities of these institutes are diverse and often not integrated, which in the past frequently caused conflicts of interest and distorted operations. Preparing our proposals for the development of management engineering, therefore, we strived to unambiguously distinguish the task performed for the ministry, from the services provided for the enterprises. On this basis it is possible to define the circle of institutes whose principal task is to provide support for the ministry's administrative activity.

From the organizations that provide services for enterprises, on the other hand, it is expedient to form service organizations (companies) that operate flexibly, as enterprises, without subsidies from the ministry. In a certain sense these institutes could even compete with one another.

Entrepreneurial Institutes

The present industrial management-engineering institutes (KSZI [Light Indistry Institute of Management Engineering], KG ISZSZI [Industrial Economics, Management Engineering and Computer Technology Institute of the Ministry of Metallurgy and Machine Industry], and NIM IGUSZI [Industrial Economics and Industrial Engineering Institute of the Ministry of Heavy Industry] are active in industrial engineering, data processing, industrial economics, documentation, etc., for the sectors of industry reflected in their names.

In the future, according to the drafted proposals, these institutes are to function as management-engineering companies, without engaging in industrial economics and not restricted to specific sectors of industry.

Besides the mentioned three institutes, this sphere of activity includes service enterprises, partnerships for the development of computer technology, and institutes of management engineering and computer technology that function as enterprises. As of 1982, within the framework of the new statutory regulations, there will appear

numerous additional types of small organizations. Accordingly, the institutes that are to be reorganized will have to adapt more flexibly in the future to the enterprises' needs and to the effective demand. The ministry will regard these institutes--just like the other entities in this sphere--as truly independent, business-oriented service enterprises.

Several proposals have been submitted regarding the three sectoral management-engineering institutes. According to one variant, the qualified staff members of the existing institutes, together with management-engineering specialists at the enterprises and possibly academic researchers, should form a base institute for management engineering that is concerned primarily with methodological questions and the development of standard systems.

The institute would function as an enterprise. Most of its revenue would come from the fulfillment of contracts with other enterprises, but the elaboration of some topics would be financed from the technical development fund of the Ministry of Industry.

Relying on the remaining personnel and equipment, it would be possible to set up separate enterprises to provide management-engineering services. The foreseeable drawback of this organizational solution is that the methodological base institute would probably give preference to centrally financed topics, at the expense of services for the enterprises. There is also the danger that the institute would want to ensure from central resources a substantial proportion of its revenue.

According to another variant, management engineering should be separated from data processing (the operation of computer centers), and separate service enterprises should be formed for management engineering and for data processing.

This proposal starts out from the fact that at the management-engineering institutes there has not evolved--partially for external and partially for internal reasons--an incentive system that motivates the institutes to develop and introduce at the industrial enterprises the organizational procedures and methods to uncover enterprise reserves and produce tangible results.

If one area of activity (for example, commercial data-processing service) proves more reliable and profitable than the other management-engineering services, then the institute would disregard the enterprises' demands for management-engineering tasks that produce tangible economic results.

The proposed organizational separation would resolve the conflict of interest between developing commercial data processings and developing management-engineering activity. In this solution the management-engineering companies must support themselves through the sale of the fruits of their intellectual effort that can be utilized efficiently at the customer enterprisese.

Otherwise the "products" of the management-engineering companies become unsalable, and they themselves unprofitable.

The computer-service companies will undertake commercial data processing and will also participate in developing and perfecting the management information systems of the enterprises.

Since computer technology is an important tool for solving management-engineering problems, it will be necessary to continue to maintain close relations between the management-engineering and computer-service companies. (There are many ways of developing their relationship, e.g. in the form of a partnership.)

For Diverse Tasks

In formulating the standpoint of the ministry, we started out from the premise that in both management-engineering and data-processing applications the demand will be differentiated considerably; hence one or the other type of task should not be regarded as absolute, and instead emphasis should be placed on diversity. It would be a mistake to absolutize the so-called standard or model systems. Instead, after the successful solution of a management-engineering or computer-application problem, it will be better to seek further possible applications that require a minimum of adaptation.

The institutes' present large computer centers likewise should not be regarded as a must. In many respects the direct use of small computers at the enterprises could prove more advantageous than commercial data processing at large computer centers. But this requires of the management-engineering companies different tasks and forms of entrepreneurship than at present (for example, selection of the most suitable small computer for the given purpose, and the supply of a system, together with software, that is ready for operation). Thus we must continuously reassess the relationship between management engineering and computer technology, which obviously is not identical with the relationship between their present management-engineering tasks and computer centers (or computers).

Thus the increasingly differentiating demand can be satisfied flexibly, rapidly and economically only within a modern and flexible organizational structure. According to our standpoint, this can best be ensured by letting the management-engineering companies--formed as successors of the present institutes, organized in accordance with their own capabilities and with the effective demand of the industrial enterprises--set up subsidiaries, except for the operation of computer centers. These subsidiaries would have a direct interest in satisfying the demand flexibly, in developing a suitable personnel structure, and in utilizing efficiently the resources placed at their disposal.

Ministry's Standpoint

The management-engineering company itself would determine the structure, initial staff, equipment and capital of the subsidiaries to be established. The parent company would handle the general functions and administrative tasks in conjunction with the operation of the subsidiaries. If a subsidiary does not operate with sufficient economic efficiency, the parent company may abolish it and may redeploy its personnel, equipment and capital. This possibility would also make for flexible manpower management.

Suitable forms of cooperation, based on mutual economic interest, must be developed between the computer center and subsidiaries of the management-engineering company.

For the development of information systems it will be expedient to form, with the industrial enterprises concerned, special-purpose partnerships that can ensure mutual economic interests, or to form joint enterprises.

The organizational solution outlined above offers a twofold advantage. First, within the framework of the management-engineering companies, direct ties would be retained between the parent company on the one hand, and the subsidiaries, special-purpose partnerships, joint enterprises, etc. on the other. Secondly, the small organizations that become independent in this manner offer a direct material self-interest that ensures far more flexible and efficient operation than at present.

It will be the task of the management-engineering companies to implement in practice the standpoint adopted by the ministry. This will require initiative and ingenuity of the managers and their subordinates, and also a certain willingness to assume risk.

1014
CSO: 2500/163

INDUSTRIALIZED DECENTRALIZATION MEASURES EVALUATED

Budapest FIGYELO in Hungarian 17 February 82 p 5

[Article by Peter Kiraly and Dr Laszlo Redei: "The Conditions for Vitality"]

[Text] On 1 January 1981, 11 new operating organizations came into existence (9 in the machinery and 2 in the light industries). Of these, four originated from the breaking up of large enterprises, while the rest were units separated out of large enterprises. In the following we shall seek to discover whether the conditions of self reliant operations have stabilized in the newly independnet enterprises, whether they have formulated their own development strategies and what effect the reorganization had on the budget.

Nearly a half of the operating units have appropriate product lines. This is an important condition for self-reliant operation. It appears that the conditions for effective operation can be assured on the long run for these enterprises. The initial positions of the other enterprises is significantly less favorable. They are struggling with product line problems, that is, their existing production structures do not currently provide the appropriate basis for the development of profitable operating conditions. Some enterprises can realize only a small profit through the sale of their current products because of problems with up to dateness and quality.

In the short time that has passed, several of the enterprises have done much to improve their situations, or at least have drawn up such plans. To this effect they have initiated the manufacturing of new products (for example, paint industry equipment), or rather, are implementing new investments (for example, the production of solid fuel stoves).

Nearly all of the newly independent enterprises are planning to develop their technologies. For some (the minority) this became urgent earlier, while another group of enterprises (the majority) is expecting to increase capacities and to modernize their inventory of fixed assets in order to lay the foundation for further development. The number of workers declined at all operating units during the year. This presents a problem at only two enterprises; at one, it is preventing an increase on production, while at the other the maintenance of the current production level is jeopardized.

During 1981, the newly created enterprises will have produced nearly 7 billion forints of production value, which exceeds the factual figure of the base period by 150 million forints or 2 percent. The production increase at nearly 60 percent of the enterprises is approaching or even exceeds the 10 percent increase. Production is not reaching the previous year's level at only two enterprises--because of decreasing demand and production structure problems.

The development of production is also a good reflection on the market position of the enterprises. At the majority of the enterprises, marketing opportunities have opened up as a result of their independence. The domestic selection of bathtubs and batteries especially has been unsatisfactory for quite a while. Thus, those concerned intend to broaden the selection through large scale increases in their production.

Of the enterprises, six are exporting to socialist countries. For 3 of these enterprises the socialist relation exports comprise a significant proportion, or more than 25 percent of their production. Total socialist exports increased moderately.

All of the enterprises--with two exceptions--are participating in sales to capitalist countries. For four of the enterprises, business with this relation approaches, or rather, exceeds 10 percent of their total business. The combined exports of the 9 enterprises is nearly 22 million dollars, which is about 20 percent less than the exports for 1980. The fact that one of the enterprises, following its separation, could not find markets during the short time available in 1981 (because the parent enterprise kept the export orders for itself) played a fundamental role in the decrease. Moreover, several enterprises eliminated the sales of their least profitable products.

The price regulation of the newly independent units has also changed. Of the 11 organizations, 3 became subsidiary enterprises, while the rest remained principal enterprises. Two enterprises raised their domestic prices when they started up. During the year others modified their price formulation, that is, they changed their prices. Because of favorable profits from capitalist exports, two enterprises have significant price reserves. Two of the 8 principal enterprises could not comply with the price mechanism regulations because they suffered losses from their exports.

The expected 1981 income of the newly independent organizations (nearly 400 million forints) significantly exceeds the basis, as well as the planned amount. There is one enterprise whose profits are decreasing by 60 percent because of production delcines and the large scale increase of non distributed costs. On the factory unit level, only at the most 2 of the 3 units which operated at a loss in 1980 will sustain losses in 1981, and the losses will be considerably smaller. Because of the measures taken these enterprises are also expected to be profitable in 1982.

Despite such significant improvements in results, profitability (profits proportionate to returns from sales) was still not favorable. The profitability of nearly half of the enterprises is between 4 and 8 percent. Only three enterprises are surpassing the branch average.

Profitability and the increase in profits are reflected in the development of personal incomes only to a small degree. With the exception of two enterprises, wages were increased by nearly 9 percent. Wage increases significantly above the industry average are essentially based on favorable profit development (significant increases). However, six organizations took advantage of the opportunity to increase the wage level which arose from the decline in the number of workers. It is also probable that when the price level bases of the newly created units were formulated, certain reserves were created. The profitability situation of the enterprises and the obligations encumbering the development bases are more discernible from the development of the contributory fund. The majority of the enterprises is planning a two percent or less fund increase.

The monetary situation of the enterprises is determined by the development of profits and fundamentally by the magnitude of the obligations they inherited at their birth. From the monetary situation standpoint, the 11 organizational units can be separated into 3 groups. At more than half of the enterprises, the monetary conditions for a balanced operation are there, and there are no problems of liquidity. During the first few years there may be occasional tensions because certain enterprises do not have the necessary funds available for the planned development or because they have obligations to replace reserve funds, that is, obligations to repay loans preempting their working funds. For two enterprises the lack of development funds could be avoided by the rephasing of the repayment obligations which are encumbering their development funds. But because of the problems which exist in their enterprise operations (primarily alteration of the structure) the situation can recur again. The modifications which were made in the regulation system are also adding to the monetary difficulties of these enterprises. Three enterprises have significant obligations--nearly 800 million forints total--which are encumbering their development funds. In addition, two of these enterprises are burdened with the obligation to repay 50 million forints of reserve funds. The repayment is a very serious problem, since 2 out of 3 enterprises sustained losses in 1981, and the total planned profit for 1982 for these 3 enterprises combined in 50 million forints. Thus, as far as can be foreseen, and taking into account improvements and the burden bearing capacities of these enterprises through 1990, the monetary tensions at these three enterprises can only be resolved through central assistance.

It can be concluded from the date that the structural changes were not detrimental to the budget. In fact, because of the nearly 2.5 fold profit increase of the operating units affected, the effect can be deemed to be positive. The need for additional subsidies in this area because of the reorganization did not arise--except at one enterprise. Of the newly independent enterprises, two are unable to meet their obligations to repay the reserve fund this year. This, however, would have occurred even without the organizational change. The same is true for the rephasing of the credit agreement obligations, which again is not a result of the reorganization.

9093
CSO: 2500/144

NEW METHODS OF OPERATING RESTAURANTS DISCUSSED

Budapest HETI VILAGGAZDASAG in Hungarian 20 Feb 82 pp 38, 39

[Interview with Zoltan Vadasz, manager of the South Buda Restaurant Enterprise, by Ilona Kocsi: "If We Do Not Change In Time, The Profession Will Break Into Two Parts"]

[Text] Only a year ago, there was still a lot of commotion. Many people attacked, but even more defended the new way of operating in the restaurant industry, the contract format. But everybody agreed on one thing: active years are coming in this trade. The emotions have since simmered down. It has become a natural thing that the guest can pick and choose as he likes between the contractual or even the traditional, closely accounted restaurants. But what was this first year like, was it characterized by success or failure? Zoltan Vadasz (age 44), manager of the South Buda Restaurant Enterprise, answers our questions related to this topic.

[Question] When the conversation turns to contractual restaurants, many people immediately associate it with storybook-rich incomes, from which the enterprising spirited manager also gets a nice cut, and the one renting it out also fares well. Others--in this latter respect--even talk about phenomenal profits with no work. No matter how things really are, what is certain is that extra profit has to be generated at the enterprise.

[Answer] The profits are really higher, but there can be no talk about getting rich. Not for the enterprise, nor for the business manager. I don't even really understand how this can be said after a year [of operation]. That is, expenses are still much more than otherwise, and capital investment will show returns only in a year or two. By the way, I can also unequivocally state: contractual business managers do make good money, but not nearly as good as when they were freelance caterers. They work now by fully financing themselves, their financial responsibility is great, they select their coworkers--this is proven by the fact that there is high staff turnover everywhere in the first few months, and practically the entire staff is replaced.

[Question] The income is less than in free-lance catering? It is strange and hard to understand why so many people compete is spite of this, and bid for these jobs?

[Answer] This surprised us, too. Mainly when we saw that the former business managers, up to about age 50 or 55, practically all of them hustled to stay in the bidding and win the competition. If the previous manager remains,--we posed the question--what assurance do we have that the business will do better in the future. But the answer received from several sources is obvious: if someone was a free-lance caterer in one place for 10 or 15 years, he does not want to relocate somewhere else. This is the less secure of the two, not the contractual format. They know the possibilities well, and know what can be risked and what cannot. And at times this is worth it, even for a lower income.

[Question] Let's look at the enterprise's profits then. Surely they must fare well, otherwise they would not lease out the restaurants. It is hard to imagine that they would do it just out of brotherly love.

[Answer] We make out all right, but that is not the only reason why we do it. We figure out the sum each business must produce by calculating a modest profit and a modest increase in traffic. If we made that, we would be satisfied. But so far the bidding has never stopped at this point. Even though the chairman conducting the competitive bidding indicates at this point that the enterprise considers this traffic optimum. When we made our plans, we also used this calculation. One could never build on it that in some cases this was overbid severalfold. But let me also tell the specific results: last year the 46 contractual units brought in a gross profit of 6 million forints. If we consider the maintenance and repair costs and what we spent on the businesses before turning them over [to the renters], we are speaking about an excess profit of about 3 million forints.

[Question] Maintenance and repair costs? But aren't these supposed to be paid for by the restaurant managers?

[Answer] After they have taken over the stores, yes. But before that we have to paint it, put it in shape, and transfer it in a condition corresponding to its classification. In our experience it happened about twice that the new manager took this upon himself because his ideas were very unique. Even at times like that we reimburse the costs. Most of them try to get us to do as much as possible since they will have less to worry about then. But when the contract expires, we also want it back clean and in good shape. Since we--fortunately--have units in the best locations in Budapest--for example, in the Castle--, maintenance and decoration costs are high.

[Question] We mentioned the bidding. What is your experience, don't the bidders in some cases "overbid" themselves?

[Answer] Of the 46 restaurants mentioned, only three quit the contract. Two due to family reasons, and only one restaurant manager felt that he had taken on more than he could handle, and therefore resigned in time. Of the 46 stores,

in 35 locations an employee of the enterprise remained on as manager, and this also represents a certain amount of guarantee: he knows the circumstances, no major surprises can befall him.

[Question] Those who appear at the competitive meeting are competing with each other to win the business. Has it ever happened that the bidding took place only for the sake of appearances and the parties had already come to an agreement in secret? For example, those who quit bidding received a certain amount as "consolation" from the winner?

[Answer] In the beginning no one had thought of this, or at least they had no way of doing this since this whole thing was so new. But there have been some discomforting signs recently: a group has appeared who wants only to compete, but not to win. They are profiteering. "I will not raise my hand if..."--and they come to an agreement. I cannot prove this, but this is my feeling. For example, at the most recent competitive meeting my suspicion was confirmed and I even filed charges. There were eight people sitting there, all eight went out together at the break, and after that the bidding suddenly ended. Even at a time like that the enterprise receives the determined sum, but the moral damage must also be considered. And also those who compete decently must be protected from these kind of shady deals. Something should be done, and done urgently. Perhaps the notary public present could take a more active role, and if something is suspicious he could immediately invalidate the results. There is not much we can do, the suspicion in itself is not enough. We make a deal with whoever wins the competition.

[Question] But if someone resorts to such methods from the very beginning, not much else can be expected from him later, either. There have been greater or lesser swindles in the catering industry even in the past, and if we really think it through, there is little guarantee that things will be different in the future.

[Answer] Well, the picture is not quite that dark. Everyone is just learning this format now, and thus the mistakes of earlier times can also slip in now. But if someone wants to gain more income by cheating the guests, he cannot expect business over the long range. As soon as a fraud is discovered, we void the contract. If the manager damages the enterprises's good name or prestige in any way, the cooperation can be cancelled. This is always one of our important conditions. There has been no example of this yet, but if it happens, this is what we will do.

[Question] Apropos, long range. Many are complaining that there is no possibility in the present contract system for long range thinking. In general the contracts are signed with the manager for 3 years, and after that there is not any kind of assurance for renewal. The clever ones can surface then also, who bid only to get others into trouble, or to get them to quit for a good price.

[Answer] The observation is a legitimate one. We have also discovered this shortcoming, and because of this we are signing the contracts for 4 or 5 years. But, of course, this is not the solution. The rules should be modified

urgently, and in such a way that those business managers who honorably fulfill the obligations they have accepted, would enjoy some kind of an advantage when the contracts are extended. This would also be a guarantee to the enterprise, since the professional who wants to stay in one place for a long time would take care of the maintenance, the customers, and would not try to make much income in 3 years. We are not thinking of developing entailments, but a justifiable advantage for the job well done.

[Question] So far we have only talked about the contractual stores, but most of the restaurant units are not that, and perhaps never will be, but function under more traditional, strict accounting system. How can these two completely different methods coexist together?

[Answer] The contractual business works in a flexible, unrestricted system, builds on the fitness, ideas and work of the manager. Strict accounting is a much more rigid format where there is less responsibility and also less income. The new method in itself even creates tension, but if we also consider the incomes, it becomes obvious that further progress must be made here, too. And the way to do it is to increase the manager's independence here, too, his freedom to purchase merchandise and selecting his coworkers. If we do not implement the change in time, the trade will break up into two parts. And work cannot be done that way. The success of one is in some way dependent on the other one, and it is expeditious to handle the two of them together.

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FULFILLMENT OF 1981 SOCIOECONOMIC PLAN REPORTED

Warsaw RZECZPOSPOLITA in Polish No 14, 29 Jan 82 pp 4-5

[Article: "Communique of the Main Statistical Office on the Country's Socioeconomic Situation in 1981"]

[Text] The country's socioeconomic situation in 1981 became considerably worse. There was a decline in the level of material production, and as a result created national income declined by about 13 percent. At the same time the population's living conditions became much worse.

At the bottom of the deepening economic crisis lay the imbalances which had appeared in the development of the national economy during past years. They were brought about by the results of the economically unjustified reduction in working hours, especially in extractive industry; the rise in wages and other income contrary to the declining level of production, and the strikes and tensions which had an increasingly paralyzing impact on economic and social life and disrupted the system of administration.

Fuel and raw material diffulties and coproduction problems caused in large part by the decline in hard coal extraction and the decline in supply imports, largely from the dollar zone, were responsible for the withdrawal of substantial manufacturing capacity from production and the slowing of investment processes on a scale never encountered before.

Alongside the decline in the level of created national income there was a general reduction in social labor productivity. The socialized enterprises' direct production costs were higher than the income gained from sales. Among the consequences of this was a large increase in state budget subsidies.

The general decrease in material production and the substantial increase in wages, social benefits, and other population income led to the fanning of inflation phenomena and a very serious increase in the costs of living. As a result the domestic market became further upset, and speculation became much greater.

As the result of favorable weather conditions, compared to the exceptionally difficult year 1980, harvests of grains and root crops were greater, and this fact caused a general rise in agricultural production, but as the result of a shortage of fodder from the previous year and restrictions on the importation of grain and fodder, overall livestock production and market-oriented livestock production showed a further substantial decline.

The negative balance of commodity turnovers, caused largely by the decline in exports, and the substantial increase in foreign credit costs caused the country to increase its indebtedness and brought about a deepening of payment problems.

The basic indicators portraying the socioeconomic situation in 1981 compared to the previous year were as shown in Table 1.

[Table 1: Basic Indicators Showing the 1981 Socioeconomic Situation in Comparison to the Previous Year]

Description		Index 1980=100
Created national income*	about	87
Gross value of fixed assets*		103.0
Per capita consumption of material goods		95.5
Personnel payroll fund		125.7
Nominal wages		125.2
Cost of living	about	125
Retail sales of commodities		111.4
Foodstuffs (including liquor)		104.2
Nonfood items		
Commodity exports*		79.8
Commodity imports*		79.8
Investment outlays in socialized economy	about	75
Sold production in socialized industry*		87.4
Sold production per employee in socialized industry*		87.8
Basic production of socialized construction and installation enterprises		80.4
Production and services per employee in socialized construction and installation enterprises		82.9
Gross farm production*		104.1
Crop production		120.3
Livestock production		87.5
Procurement of farm products*		86.4
Freight transport performed by socialized transport enterprises		74.0
Passenger transport in socialized transportation		98.9
Employment in the socialized economy		100.3
Housing turned over for use in socialized economy		86.5
Usable area of housing turned over for use in socialized economy for nonagricultural population		87.2

*Constant prices

National Income

Compared to the year 1980, in 1981 national income in constant prices was about 13 percent lower. The year 1981 was the third year in which there was a decline in national income (a decline of about 2 percent occurred in 1979, and one of about 4 percent occurred in 1980), and as a result of this fact, the real sizes of created national income in 1981 were at approximately the same level as in 1974.

The decline in net production and in social labor productivity occurred in all basic nonagricultural sectors of the national economy. Net production in industry declined by about 19 percent. The level of agriculture's net production was about 3 percent higher than the 1980 level.

As the result of a substantial increase in fixed assets during previous years, there came into being substantial potential production capacity, which is not being fully utilized, especially in processing industry (with the exception of power industry) and in construction. It is estimated that if the possibilities existed for utilizing this potential in processing industry, the sizes of net production could be greater, overall, in the various branches by from 25 to more than 50 percent.

The decline in national income for distribution was somewhat smaller than the decline in created national income, in connection with the increase in 1981 of the adverse foreign trade balance, which in turn was the result of the more rapid decline in the exports of commodities and services than in their importation.

With the substantial decline in national income for distribution, the population's consumption of material goods out of personal income remained at a level not much lower than in 1980.

The sizes of commodity deliveries to socialized trade aimed at supplying the market declined by about 11 percent, but the sizes of retail sales of consumer goods for the population declined by over 3 percent (calculating in constant prices). This was the result of a very great decline in stock in trade and restrictions on sales to units of the socialized economy (what are called nonmarket sales).

The sizes of free-market sales and natural consumption of farm products increased. It is additionally estimated that there were substantial increases in stocks of consumer commodities in households, but in keeping with the methodology of calculating national income, this increase is treated as a rise in consumption in the given year.

Investment outlays (net) for fixed assets (investment outlays minus depreciation) fell in 1981 by about 45 percent in relation to 1980, but their share of national income for distribution declined from 17.5 percent in 1980 to about 11 percent in 1981. Such a great decline in net investment

outlays for fixed assets is the result of the approximately 24-percent decline in investment outlays coupled with the approximately 3-percent increase in depreciation.

Industry

In 1981 there was a further decline of production in socialized industry. Although in 1980 sold production (in constant sale prices) decline by 1 percent in relation to 1979, in 1981 the drop in relation to 1980 amounted to 429 billion zlotys, or 12.6 percent. The combined production decline for the 2 years amounted to 13.5 percent.

The downward trend in sold production was maintained throughout 1981, and a production decline greater than the annual average (after eliminating the differences in work time and seasonal fluctuations) occurred during the months of June, July, September, November, and December.

The decline in sold production appeared in all branches of industry but was most evident in iron and nonferrous metallurgy, the coal industry, vehicles industry, building materials industry, and printing.

The production of some of the major products in socialized industry during 1981 was as shown in Table 2.

In 1981 the installed power of electric power plants increased by only 255 megawatts. Compared to 1980 the production of electric power was 5.7 percent lower, and, of this, the decline for municipal power plants amounted to 4.5 percent.

The demand for electric power in 1981 remained at the 1980 level. Industrial customers' electric power consumption was 9.5 percent lower, but consumption by communal customers was 7.3 percent higher. Restrictions were placed on customers, especially during the winter months. Power levels of "19" and "20" were announced more frequently than in 1980. Block outages were applied to the population as well as to industrial customers.

In connection with the 30.1-million-ton extraction decline, deliveries of hard coal to industry were lower than those accomplished in 1980 by 10.2 percent, and deliveries designated to supply the population were lower by 6.7 percent.

In 1981 adverse trends in industrial production worsened. There was a decline in the number of products bearing quality trademarks, and at the same time the number of defects in products increased.

Average employment in socialized industry in 1981 was 4,744,300 persons, a decline of 16,200 persons (0.3 percent) in relation to 1980.

[Table 2]

Goods	units of measure	1981 in absolute figures	1980=100	1979=100
Hard coal	million tons	163.0*	84.4	81.4
Natural gas	million sq m	6,172	97.5	84.1
Crude oil refining	million tons	13.6	84.2	81.8
Electric power	billion kWh	115.0	94.3	97.9
Raw steel	million tons	15.7	80.7	81.8
Rolled products	million tons	11.1	81.6	81.5
Electrolytic copper	thousand tons	327.2	91.6	97.4
Metallurgical aluminum	thousand tons	66.0	69.4	68.3
Lead	thousand tons	69.0	84.1	81.9
Zinc	thousand tons	167.1	76.8	79.9
Ball bearings	millions	110.0	88.1	84.4
Metal machine-cutting tools	million zlotys**	7,238	87.0	81.6
Machinery for flexible working of metal	million zlotys**	1,017	76.0	84.7
Electric gyrating machinery	million zlotys**	10,525	89.9	102.0
Automatic steering regulation devices	million zlotys**	7,975	86.0	84.3
Semiconductor components	millions	182.6	69.7	79.2
Transistors	millions	83.5	95.5	98.7
Computer systems and data-processing equipment	million zlotys**	10,733	92.0	100.5
Farm machines and implements	million zlotys**	16,686	90.3	89.1
Passenger automobiles	thousands	240.3	68.5	68.7
Trucks	thousands	37.0	77.7	72.4
Buses	thousands	11.2	85.2	83.1
Two-axle farm tractors	thousands	50.5	88.0	93.2
Ocean-going vessels (100 DWT up)	billion zlotys**	17,501	77.8	80.8
	thousand DWT	321.8	82.1	53.4
Radios (with turntables)	thousands	2,798	103.8	105.1
Stereophonic	thousands	216.3	98.2	103.2
Television sets	thousands	759.9	84.4	83.0
Color sets	thousands	159.6	108.7	179.2
Tape recorders	thousands	565.6	70.2	66.6
Household electric washers and dryers	thousands	713.0	88.2	94.6
Automatics	thousands	310.7	86.3	105.3
Household refrigerators	thousands	559.0	80.6	73.0
Household sewing machines	thousands	382.7	93.5	105.3
Fertilizers (pure component)	thousand tons	2,211	98.8	91.5
Plastics	thousand tons	475.0	86.6	107.9
Synthetic rubber	thousand tons	111.1	94.3	85.5
Chemical fibers	thousand tons	204.7	79.8	83.7
Synthetics	thousand tons	139.0	83.0	87.9
Pharmaceutical products	million zlotys**	15,618	96.9	108.0
Laundry and washing products	thousand tons	283.1	96.5	100.5
Soap	thousand tons	68.3	94.6	94.6

*Including about 9 million tons extracted on free Saturdays. **Fixed prices

[Table 2, continued]

Cement	million tons	14.2	77.2	74.2
Walling materials (calculated in full fired bricks)	billions	8.7	78.4	75.0
Chipboard and particle board	thous cubic meters	903.9	96.0	105.0
Furniture	billion zlotys**	37.3	90.7	100.9
Paper	thousand tons	909.3	88.0	90.0
Cardboard	thousand tons	214.7	88.1	90.4
Yardage:				
Cotton and cotton synthetics	million meters	783.1	88.6	88.4
Woolens and wool-like	million meters	106.2	87.7	86.3
Silk and like silk	million meters	142.2	87.1	87.0
Knitwear	billion zlotys**	20.9	92.6	89.3
Knit fabrics	million meters	113.1	92.1	89.0
Footwear (except rubber)	million pairs	126.3	89.8	90.2
Meat and fats (industrially slaughtered)***	thousand tons	1,851	75.3	72.3
Poultry	thousand tons	355.6	103.4	111.0
Ocean fish (catches)	thousand tons	642.5	81.2	80.0
Milk for consumption	million liters	2,926	109.2	112.7
Butter	thousand tons	221.7	87.7	87.9
Sugar (from sugar campaign)	thousand tons	1,722	165.1	118.4
Cigarets	billions	83.0	88.8	90.8
Industrially-produced fodder mixes	thousand tons	3,574	88.1	84.7

**Fixed prices. ***Warm after-slaughter weight.

With the substantial decline in production value in socialized industry, the personnel payroll fund in 1981 amounted to 446.7 billion zlotys, up 86.5 billion zlotys, or 24 percent, in relation to 1980. The mean monthly wage was 7,704 zlotys, 1,523 zlotys, or 24.6 percent, more than in 1980, but at the same time production per employee dropped 12.2 percent.

In 1981 nominal working time decreased, mainly as the result of the introduction of additional free Saturdays and the shortening of working hours for certain employee groups considered to be working under conditions hazardous to health. At the same time the utilization of nominal working time worsened.

On the annual scale, hours worked per worker in the industrial and development group declined from 1,850 hours in 1980 to 1,711 hours in 1981, a drop of 7.5 percent, including a 9.5-percent decrease in the coal industry.

On the annual scale, average time not worked per worker in the industrial and development group increased from 229 to 250 hours, that is, 9.8 percent. The absence rate for illness increased from 164 hours to 173, while there was an increase from 26 hours to 34 for justified absences, from 7 to 11 hours for paid idle time, and from 5 to 6 hours for strikes.

The amount of maternity leave declined from 22 hours to 20 hours.

Agriculture and Forestry

In 1981 as the result of favorable weather during the period of vegetation and the gathering of crops, favorable results were obtained in crop production.

On the other hand there were barriers to the development of livestock production, mainly because of the low level of fodder resources from the 1980 harvests.

It is estimated that the value of gross agricultural production (in constant prices) increased by 4.1 percent in relation to 1980, and of this the value of crop production increased by 20.3 percent, but livestock production declined in value by 12.5 percent.

Farm production for market, calculated in constant prices, declined by 9.5 percent in relation to 1980, and of this, market production [line missing] and livestock production declined by 17.5 percent.

Harvests and yields of major crops in 1981 were as shown [in Table 3].

In June 1981 in both socialized and nonsocialized agriculture, there was a clear decline in comparison to the June 1980 level for the number of head of livestock, as we can see below [Table 4].

During the latter half of 1981 in the nonsocialized economy, on the basis of increased private fodder resources, while there were simultaneous market difficulties, there was the tendency to suspend market herds or the building up of holdings of domestic livestock.

The initial results of the census of livestock taken this January show that the number of head of cattle throughout agriculture amounted to 11.5 million head, including 5.7 million cows, 19 million hogs. Compared to the figures from the January 1981 census, the number of head of cattle increased 1.4 percent, including an increase of 0.9 percent in the number of cows and an increase of 1.7 percent in the number of hogs.

There was a rise in the number of head of livestock in January of this year because of the substantial expansion both of herds of cattle and of holdings of hogs in the nonsocialized economy, alongside the continued serious decline in the number of head in the socialized economy.

It is estimated that in 1981 the production of livestock for slaughter in terms of meat-fat bulk (in fresh-killed weight) amounted to 2.4 million tons, which means it was 19.2 percent lower than in 1980.

Milk production approximated 14.8 billion liters and was 7.2 percent lower than during the previous year, but egg production approximated 8.9 billion, declining insignificantly, by 0.1 percent in comparison to the previous year.

[Table 3. Harvests and Yields of Major Crops in 1981]

	1981					
	Harvests			Yields		
	million tons	1980=100	1976-80 average =100	quintals per hectare	1980=	1976-80 average =100
Grain	19.7	107.6	101.2	24.9	106.4	100.4
four grains below total						
(except mixes)	17.2	104.9	98.0	25.0	106.4	100.8
Wheat	4.2	100.7	82.6	29.6	113.8	101.0
Rye	6.7	102.5	104.0	22.4	103.7	103.7
Barley	3.6	103.5	99.5	27.4	105.8	99.3
Oats	2.7	121.6	112.2	23.6	104.9	103.5
Potatoes	42.6	161.2	99.6	188.0	166.4	106.2
Sugar Beets	15.8	155.8	111.7	336.0	152.0	120.0
Oleaginous crops	0.5	85.2	75.9	17.2	99.4	90.5
Meadow hay	14.7	119.1	102.9	59.4	118.8	103.5

[Table 4. Comparison of Livestock in June 1981 Compared with June 1980]

	1981					
	Agriculture			Agriculture		
	Total	Socialized	Non-socialized	Total	Socialized	Non-socialized
	Million Head			1980=100		
Cattle	11.8	2.9	8.9	93.3	85.4	96.2
Hogs	18.5	4.9	13.6	86.7	80.8	89.0
Sheep	3.9	1.4	2.5	92.4	87.8	95.1

[Table 5. Procurement of Farm Products of Animal Origin

	1981					
	Agriculture			Agriculture		
	Total	Socialized	Non-socialized	Total	Socialized	Non-socialized
	In absolute figures			1980=100		
Animals for slaughter in terms of meat-fat bulk, 1,000 tons	1,879	761	1,118	74.0	81.6	69.6
Beef	463	198	265	69.6	73.7	66.8
Pork	1,009	405	604	69.7	79.0	64.6
Poultry	352	150	202	102.8	109.6	100.2
Milk in millions of liters	9,262	1,633	7,629	92.5	83.8	94.6
Eggs in millions	3,581	222	3,359	99.5	138.7	97.7

The procurement of farm products of animal origin was structured as in [Table 5].

The total value of farm products bought up by the state (in current prices) amounted to 516 billion zlotys in 1981 and was 42.3 percent higher, as the result of the increase in procurement prices, which approximated 60 percent above the previous year.

The increase in the value of procurement from the nonsocialized economy amounted in 1981 to 42 percent in relation to 1980, and the figure for procurement from the socialized economy was 44 percent.

In 1981 difficulties with supplying agriculture with the means of production became worse. Throughout the year there were serious shortages of many different spare parts for tractors and farm machines.

Supplies of tractors for agriculture in 1981 were 0.1 percent higher than in 1980, however, amounting to 56,800 tractors.

The number of tractors throughout agriculture at the end of 1981 was approximately 645,000, an increase of 4.1 percent over the number at the end of 1980. Agrarian circles and groups within agrarian circles owned about 104,000 tractors at the end of 1981, and the nonsocialized farm economy owned about 423,000. Compared to 1980 the number of tractors in the circles and the groups within them declined by 9.2 percent, but in the nonsocialized farm economy it increased by 11.9 percent.

Deliveries of high-grade seed of the four grains to agriculture to renew the sewing material for 1981 harvests amounted to 572,900 tons and were 1.8 percent higher than in 1980, but deliveries of seed potatoes were about 51 percent lower.

In 1981 agriculture bought 6.7 million tons of fodder from state resources, that is, about 846,000 tons (11.2 percent) less than during the previous year, largely as the result of the decline in grain imports.

Prior to the 1981 harvest agriculture consumed about 3.5 million tons of chemical fertilizers (in pure component), that is, 3.7 percent less than for crops prior to the 1980 harvest. Calculated in terms of consumption per hectare cropland, in farm year 1980-1981 consumption was 186.2 kilograms, or 6.7 kilograms less than the previous farm year. This is the result of the decline in the consumption of chemical fertilizers in the socialized economy from 313.7 kilograms in 1979-1980 to 279.5 kilograms in 1980-1981, while the consumption of fertilizers in the nonsocialized economy, respectively, was from 152.4 kilograms to 155.8 kilograms.

During the latter half of 1981, improvement was noted in the supply of chemical fertilizers to agriculture. Deliveries of chemical fertilizers in the period from July to December 1981 amounted to 1,789,800 tons (pure

In forestry the logging of timber (rough-sawn) in 1981 totalled about 20.1 million cubic meters and was 3.4 percent lower than in 1980.

In state forest enterprises about 18.6 million cubic meters of rough-sawn timber was logged, and 15.4 million cubic meters was taken out of the forests. The removal of timber declined by about 13 percent in relation to the previous year. Transport difficulties had a major impact on the hygienic condition of the forest.

In 1981 the catastrophic development of the moth [brudnica mniszi] population which had begun in 1977 became greater, and this called for decisions to combat this pest with chemical agents over an area of about 1.8 million hectares, a drastic measure for the forest environment.

The dangerous situation in which we find the forests are made worse by the catastrophic winds and snowfalls and the harmful impact of gases and dust on the stands of the forest.

The initial estimate made at the end of 1981 shows that bulk timber from broken trees and trees uprooted in high winds and storms approximated 6 million square meters in the state forest enterprises.

In 1981 a decline of 26.5 percent was noted in relation to 1980 in renovation and planting of forests. In 1981, 68,000 hectares underwent afforestation and renovation on land temporarily deprived of tree stands and on nonforest land. The 1980 figure was 92,600 hectares.

Transportation and Communications

In 1981 the socialized transport enterprises carried 1,216.7 million tons of freight, or 427.4 million tons (26 percent) less than in 1980.

Public socialized passenger transport carried 3,451.8 million passengers, which was 39.4 million passengers (1.1 percent) less than in 1980.

The Polish State Railroads carried 401.6 million tons of freight and 1,115.9 million passengers in 1981. Freight carried was 16.7 percent below the 1980 figure, but passenger transport increased by 1.4 percent.

The number of technically deficient freight cars increased. The mean daily figure for such cars in 1981 was 48,600, 12,000 or 33 percent more than in 1980.

Deliveries of standard-gauge rolling stock in 1981 consisted of 121 electric locomotives, 7 diesel locomotives, 60 electric three-car units, 5,497 freight car, and 401 passenger cars. Except for passenger cars, the deliveries of rolling stock were far below 1980 deliveries.

The length of electrified railroad lines as of 31 December 1981 amounted to 7,091 kilometers, or 29.1 percent of the total length of standard-gauge

railroad lines. In 1981 electricity was installed on 223 kilometers of line.

Freight carried by public and industrial-sector motor transport amounted to 730.4 million tons, or 31.1 percent less than in 1980. Public motor transport of passengers amounted to 2,325 million passengers and was 3.3 percent below the 1980 figure.

As the result of stoppages for technical and operational causes, 43.6 percent of the trucks were out of service in 1981 as a daily average (the figure in 1980 was 37.5 percent).

The merchant marine carried 32 million tons of cargo, or 19.2 percent less than in 1980. The total merchant marine tonnage sailing under the Polish ensign amounted to 4,574,500 DWT as of 31 December 1981 and was 1.1 percenter greater than at the end of 1980.

In the commercial seaports, 37.5 million tons of cargo was handled, 39 percent less than in 1980.

The value of basic communications services declined by 0.7 percent in comparison to 1980. The number of telephone subscribers as of 31 December 1981 totalled 2,020,700, which was 77,800 or 4 percent more than in 1980.

Investments and Construction

Investment outlays approximating 398 billion zlotys were carried out in the socialized economy in 1981. Compared to 1980 this means a reduction of more than 25 percent in the investment level, and compared to the year 1978, which was the year with the highest level of investment, there was a decline of more than 40 percent.

The level of investment outlays in 1981 was similar to the level of outlays in 1972.

The share of total outlays for equipment and machinery represented about 47 percent of the value of all outlays, the same level as 1980.

At the end of 1981 outlays frozen in unfinished investments approximated 880 billion zlotys, compared to 798 billion zlotys in 1980. During the next few years about 1.2 trillion zlotys will be needed to finish all the uncompleted projects of investment construction. This includes 900 billion zlotys for investments actively being executed. In connection with the need to adapt the investment level to the country's economic situation, at the end of 1980 and in 1981 (largely during the first quarter) about 1,500 investment tasks (which were not in advanced stages) in the socialized economy were suspended temporarily or indefinitely. The cost-estimate values ranged from a few million zlotys to many billion. More than 100 billion zlotys is tied up in suspended investments, and it would take a commitment of more than 300 billion zlotys to complete them.

Of the investment construction tasks in the socialized economy planned for completion in 1981, about 47 percent were actually completed (calculated in terms of cost-estimate value), including the following:

--power block No 4 (200 megawatts) at the Polaniec Electric Power Plant,

--Grodzisk-Police section of gas pipeline (66.5 kilometers),

--construction of 1,030-meter extraction level (first stage, 610,000 tons per year) at Halemba Hard Coal Mine, expansion of 530-meter extraction level (1,372,000 tons per year) at Makoszowa Hard Coal Mine,

--chipboard department (128,000 cubic meters per year) in Czarnkowo,

--22 hospitals and hospital wings with a total of 4,600 beds,

--98 preschools with 11,200 places,

--40 nurseries with 2,900 places,

--15 health centers,

--27 clinics.

In housing construction in the national economy, 183,000 dwellings with a total usable space of 11.6 million square meters were completed in 1981.

The number of dwellings completed was 33,500 (15.5 percent) lower than in 1980, but the usable space was smaller by 2.2 million square meters, or 16.2 percent.

The execution of housing construction in 1981 by form of construction is presented in Table 6 [top of next page].

At the end of 1981, about 570,000 cooperative members were waiting for apartments (including 230,000 young married couples), and 1,770,000 persons were on applicant lists, including 1.4 million adults (80 percent).

Compared to 1980, the total number of people waiting for cooperative apartments increased by 6.6 percent.

The number of applications made to local offices of state administration by persons (families) which qualified for assigned housing is estimated at about 98,000.

Socialized construction-installation enterprises (excluding small-scale manufacturing units) produced a value of 242.4 billion zlotys' worth in basic production. Compared to 1980, this was a production drop of 19.6 percent. In the period from January to May 1981 there was a month-by-month increase in basic production, but from June to the end of 1981 it

[Table 6. Housing Construction Accomplished in 1981 by Type

Description	Dwellings		Usable Area of Dwellings	
	thousands	1980=100	thousand square meters	1980=100
Total	183.0	84.5	11,618.9	83.8
Funding:				
State	31.2	78.2	1,704.9	79.5
Cooperatives	107.9	89.2	5,633.6	88.4
Population's own funds	43.9	78.9	4,280.4	80.0

declined, while there was a systematic decrease in employment and an increase in payments out of the personnel payroll fund.

In 1981 employment in socialized construction and installation enterprises averaged 957,600 persons and was 46,400 persons, or 4.6 percent, lower than in 1980. At the same time payments out of the personnel payroll fund amounted to 90.2 billion zlotys and increased by 17.7 percent. The net mean month wage was 7,850 zlotys, up 23.5 percent, while there was a simultaneous decline in the value of total turnovers (production and services) per employee of 17.1 percent.

Foreign Trade

Foreign trade commodity turnovers in 1981 were accomplished under very difficult conditions. The drop in production and the needs of the domestic market were an influence which tended to limit exports, and the foreign-exchange revenue thereby reduced coupled with the difficulties in obtaining credit caused a decline in imports from the capitalist countries. It was in this situation in 1981 that a substantial decline occurred in foreign trade turnovers. The value of exports (in current prices) amounted to 44.3 billion foreign exchange zlotys and was 14.6 percent lower than in 1980, but the value of imports amounted to 51.2 billion foreign exchange zlotys, which means a decline of 12.2 percent. The negative balance of commodity turnovers reached 6.9 billion foreign exchange zlotys, compared to the 6.4 billion in 1980.

Commodity turnovers with socialist countries were substantially lower for exports than for imports. The export value amounted to 26.1 billion foreign exchange zlotys, a decline of 10.2 percent in relation to 1980, but the value of imports, on the other hand, reached 33.2 billion foreign exchange zlotys, which means that it increased by 2.3 percent. The increase in imports from socialist countries was achieved largely as the result of the large deliveries made from the USSR. The value of imports from that country amounted to 21.4 billion foreign exchange zlotys, which was an increase of 10.6 percent, while at the same time exports amounted to 14.4 billion foreign exchange zlotys, which was a decline of 11.1 percent compared to 1980.

The negative balance of trade with the socialist countries reached 7.1 billion foreign exchange zlotys (including 7 billion with the USSR) and was higher by 3.7 billion than in 1980. This means that it was more than double the 1980 level.

In 1981 there was a great decline in turnovers with the capitalist countries. The value of exports amounted to 18.2 billion foreign exchange zlotys, a decline of 20.3 percent, but the value of imports was 18 billion foreign exchange zlotys and was 30.4 percent lower than the previous year. As the result of the great import restrictions, the negative balance of payments with the economically advanced capitalist countries declined from 2.6 billion zlotys in 1980 to 1.8 billion in 1981. On the other hand, in turnovers with the economically developing countries the balance changed from a negative balance in 1980 amounting to 0.4 billion foreign exchange zlotys to a balance of 2 billion foreign exchange zlotys in the black in 1981.

The adverse balance of commodity exchange and the rise in foreign credit costs caused the country to go further into debt. According to initial data on indebtedness in long-, short-, and intermediate-term credit, the country's indebtedness increased (condition as of 31 December) as follows:

in the currencies of socialist countries, from 6.4 billion foreign exchange zlotys in 1980 to 14.8 billion in 1981, an increase of 3.3 billion rubles,

in the currencies of capitalist countries, from 76.6 billion foreign exchange zlotys in 1980 to 89.1 billion in 1981, that is, to 25.5 billion U.S. dollars.

In 1981 there continued a substantial price rise compared to 1980 prices on exported and imported commodities. It is estimated that for exports prices increased by 6.7 percent, but for imports they increased by 9.8 percent, which caused the "terms of trade" index to be structured unfavorably (97.2). The greater increase in prices occurred in turnovers with the socialist countries, as the result of the adoption of the principle of creeping prices. As the result of this fact, the great rise in the prices of fuels and raw materials on the markets of capitalist countries in previous years are only now gradually becoming evident in turnovers with socialist countries. Despite this fact, the level of prices obtained in turnovers with socialist countries was still lower than the level of prices in turnovers with capitalist countries. In addition, the relatively high dynamics of prices on imports from the socialist countries (an increase of 12.2 percent) were partly the result of the structure of these imports. The fuel and energy group, which featured the greatest price increase in 1981 (an increase of 27.2 percent), represented 23.1 percent of total imports in current prices.

In 1981 both exports and imports of goods (in constant prices) declined by 20 percent compared to 1980. In turnovers with socialist countries exports were down 17.1 percent, and imports were down 8.8 percent. In turnovers

[Table 7. Dynamics of Foreign Trade Turnovers in 1981 by Major Group]
(in constant prices)

Description	Exports			Imports		
	Total	Socialist Countries	Nonsocialist Countries	Total	Socialist Countries	Nonsocialist Countries
	1980 = 100					
Total	79.8	82.9	75.9	79.0	91.2	65.5
Fuel and energy in above	49.1	66.5	40.8	77.4	98.5	26.6
Goods by industry:						
Metallurgical industry	84.3	90.5	81.7	70.8	91.9	41.4
Electric-machine industry	90.3	87.3	99.5	77.8	85.1	57.6
Chemical industry	82.4	81.1	84.2	76.6	107.3	61.3
Mineral industry	71.2	98.5	64.4	65.7	71.0	58.4
Light industry	78.8	78.6	79.3	71.8	79.3	64.8
Food industry	61.1	51.1	63.6	132.1	120.1	136.1
Farm products	64.5	70.9	62.7	83.4	79.4	83.7

with the capitalist countries, the corresponding figures were 24.1 percent and 34.5 percent.

In all branch groups in 1981 there was a quantitative decline in exports and imports, with the exception of imports of food industry products. Here the value increased by 32.1 percent.

The dynamics of foreign trade turnovers (in constant prices) in 1981 by major branch group may be found in Table 7 above.

The great drop in fuel exports was caused by the decline in hard coal exports, and the deliveries of hard coal in 1981 amounted to 15.2 million tons, 15.8 million tons lower than in 1980 and 26.2 million tons lower than in 1979.

The reduced deliveries of crude oil had an influence on the decline in imports in the fuel and power group. Crude oil deliveries amounted to 13.5 million tons in 1981 and were 2.8 million tons lower, although imports from the USSR remained unchanged, but deliveries from the capitalist countries declined by 87 percent.

Imports of grain and grain products in 1981 reached 7.2 million tons and were 796,000 tons lower than in 1980.

In the group of food industry products, imports in 1981 increased by 32 percent. There was a very great increase in deliveries of such commodities as the following: meat (400 percent), lard (600 percent), butter (400 percent), potato flour (double), sugar (50 percent), rice (17 percent), and cocoa (9 percent).

Population and Employment

In 1981 Poland's population reached 36.1 million. The real population increase, which was somewhat greater than 1980's, was 325,000. In towns at the end of 1981 there were more than 21.3 million residents, or over 350,000 more than in 1980. This figure represents 59.2 percent of the country's population.

The number of births remains at a high level, and in 1981 it approximated 678,000, which is 18.9 births per 1,000 inhabitants.

At the same time the number of deaths declined, from the previous year, by about 20,000 and was 330,000, but the deaths-per-1,000-population index declined from 9.9 to 9.2.

The number of marriages increase by about 10,000 in relation to 1980 and reached 317,000. The index of marriages per 1,000 population increased from 8.6 in 1980 to 8.8 in 1981.

Mean employment figures for the socialized economy were 37,000 higher (0.3 percent) in 1981 than in 1980, reaching a level of 12,037,000.

The increase in employment largely took place in trade (up 52,000), public health and social welfare (up 32,000), education and child care (up 26,000), and agriculture (up 15,000). On the other hand, the following are some of the areas in which a decline in employment was noted: construction (down 47,000), industry (down 16,000), transportation and communications (down 12,000), and science and the development of technology (down 5,000).

The Money-Market Situation

In 1981 imbalances between the population's gross income and the supply of commodities in trade increased. This phenomenon led to disruption of the market for both foodstuffs and nonfood items. The practice of buying up goods found on sale became common, because part of the population held substantial reserves of free cash.

In 1981 the population's overall cash income amounted to 2,090,100,000 zlotys, 445.2 billion, or 27.1 percent, more than in 1980. As of 31 December 1981 the population's money amounted to 1,049,900,000 zlotys, of which 371.4 billion was cash and 678.5 billion was savings on deposit. Compared to the condition as of 31 December 1980 the population's money resources at the end of 1981 were higher by 284.1 billion zlotys, or 37.1 percent. Cash resources increased by 105.4 billion zlotys, or 39.6 percent, and savings deposits cinreased by 178.7 billion zlotys, or 35.8 percent.

The total value of domestically produced and imported goods supplied to the market in 1981 (in current retail prices) amounted to 1459,500,000 zlotys and was 57.8 billion zlotys, or 4.1 percent, greater than in 1980. In constant prices, commodity deliveries to supply the market were about 11 percent lower than in 1980.

[Table 8. Deliveries of Major Commodities in 1981 (excluding supplies to hospitals, vacation facilities, the military, and other so-called collective consumers)]

Goods	units of measure	1981 fulfillment	1981 1980=100	1981 1979=100
Meat, poultry, pluck and products*	thousand tons	1,671.9	82.2	83.4
Meat, pluck, products	thousand tons	1,323.9	77.7	78.1
Poultry, pluck, products	thousand tons	348.0	105.0	112.4
Fish and fish products*	thousand tons	242.0	88.4	95.2
Fats*				
Animal fats	thousand tons	145.0	89.3	87.9
Plant fats	thousand tons	227.2	116.2	122.9
Butter	thousand tons	238.0	91.7	95.3
Eggs for consumption	millions	2,559.0	112.4	123.0
Milk for consumption	million liters	2,614.0	109.4	113.1
Yellow cheese	thousand tons	79.0	102.3	109.1
Cream-type cheeses	thousand tons	226.5	122.3	142.1
Wheat flour	thousand tons	625.0	108.8	124.1
Groats	thousand tons	321.6	106.1	117.0
Rice	thousand tons	122.0	133.5	145.4
Sugar	thousand tons	883.0	83.3	79.4
Plain and specialty spirits (calculated at 200 proof)	million liters	138.9	75.2	79.2
Wine and mead	million liters	224.0	64.2	65.1
Chocolate and chocolate confections	thousand tons	124.1	111.3	92.3
Textiles:				
Cotton and cotton-like	million meters	143.7	73.7	67.4
Woollen and similar	million meters	44.3	80.2	77.4
Silk and silk-like	million meters	57.4	87.8	87.5
Knitwear	billion zlotys**	32.4	79.7	77.2
Hosiery products	billion zlotys**	9.6	87.4	85.5
Clothing from textiles	billion zlotys**	57.3	90.3	93.0
Footwear:	million pairs	109.1	89.1	91.5
Leather, synthetic, plastic	million pairs	61.7	91.9	93.8
Rubber, cloth-rubber	million pairs	19.6	75.5	83.2
Furniture	billion zlotys**	36.8	92.1	96.1
Household refrigerators and freezers	thousands	610.3	86.9	64.7

*Commercial weight. **Constant retail prices.

[Table 8, continued]

Electric washers and spinners	thousands	739.2	90.2	93.0
automatics	thousands	319.2	90.0	100.8
Sewing machines	thousands	216.1	98.5	86.3
Laundry powders and granules	thousand tons	178.8	97.8	101.6
All-purpose, toilet, and special soaps	thousand tons	36.6	95.1	81.9
Radios	thousands	2,187.0	102.1	99.7
stereophonic	thousands	170.5	97.3	100.5
Television set	thousands	823.5	86.3	80.5
color	thousands	207.2	94.6	124.5
Combination radio-tape decks	thousands	384.0	110.4	167.5
Tape recorders	thousands	500.0	76.1	70.2
Bicycles	thousands	1,051.5	77.6	73.1
Automobiles	thousands	140.0	85.1	64.2
Universal farm tractors	thousands	44.0	118.3	101.3
Automobile tires	thousands	1,153.0	70.4	58.4
Hard coal and briquets made from hard coal	million tons	29.8	93.4	102.2
Nitrogen fertilizers*	thousand tons	993.0	109.7	100.6
Phosphorous fertilizers*	thousand tons	604.5	102.2	92.4
Potassium fertilizers*	thousand tons	1,491.6	122.3	170.8
Cement	thousand tons	4,287.0	86.9	90.7

*In terms of pure component

Table 8 shows the deliveries of the major commodities in 1981, except for supplies to hospitals, vacation facilities, the military, and other so-called collective consumers.

In 1981 deliveries of many major commodities to supply the market were smaller or even substantially smaller than in 1980. The market was especially seriously affected in 1981 by the shortage of meat and meat products, and animal fats. In relation to 1980 there was a decline in deliveries of meat, poultry, pluck, and products amounting to 362,2000, or 17.8 percent.

The clear decline in 1981 of deliveries of a number of foodstuffs which are important from the population's viewpoint was only partially compensated for by the increase in deliveries of certain other commodities.

The value of retail sales of consumer goods and nonconsumer items by the units of the socialized economy in 1981 amounted to 1,462,900,000 zlotys, which means an 11.4-percent increase over the previous year (in current prices). Retail sales of commodities in constant prices were about 6 percent lower than in 1980.

The decline of only about 6 percent in retail sales, given the simultaneous reduction of about 11 percent in commodity deliveries (in constant prices) was achieved at the cost of reducing the stock held by commerce. The dynamics of retail sales of basic commodity groups in 1981 in constant prices was as follows:

Description	Index 1980 = 100
Foodstuffs (including spirits)	81.2
Nonfood items	104.3
Consumer goods	107.8
Nonconsumer items	89.8

The value of stocks of goods in market trade at the end of 1981 amounted to 184.3 billion zlotys, which was 77.7 billion zlotys (29.7 percent) lower than at the end of 1980, in current retail prices.

Sales by units of the socialized economy for services to the population in 1981 amounted in current prices to about 217 billion zlotys. Compared to 1980 sales of services for the population increased by 13.3 percent (in current prices), but after eliminating the effects of price changes, this increase was substantially smaller, 2.2 percent.

Income, Wages, and the Cost of Living

The population's living conditions in 1981 were fundamentally influenced by the simultaneous very great increase in the population's nominal income, the rise in the cost of living, and the worsening process of disintegration of the domestic market.

The population's personal nominal income (including income from work in the socialized and nonsocialized economy, cash social benefits, and other personal income) increased in 1981 by about 31 percent in relation to the previous year.

Per capita nominal personal income of the population increased by about 30 percent. This was determined largely by wage increases and adjustments, the higher payments to farmers for the procurement of farm products, the increases in retirement benefits, pensions, and family allowances, and the increase in the prices paid to private producers of goods and services.

The payroll fund in the socialized economy, encompassing payments out of the personnel, nonpersonnel, commissions, honorarium, and plant bonus funds, amounted in 1981 to about 1,155 billion zlotys, which is 237 billion zlotys, or 25.9 percent, more than in 1980.

The personnel payroll fund in the socialized economy approximated 1,069 billion zlotys (which represents more than 90 percent of the total amount of the payroll fund), which is an increase of 218 billion zlotys, or 25.7 percent in relation to 1980.

[Table 9. Mean Net Monthly Nominal Wages in Certain Sectors of the National Economy]

Sector of the National Economy Economy	1981 in zlotys	1981 increase in relation to 1980 in zlotys	1981 increase in relation to 1979 in zlotys	1981 increase in relation to 1980 in percent	1981 increase in relation to 1979 in percent
Total	7,250	1,461	2,150	125.2	142.2
Industry*	7,704	1,523	2,311	124.6	142.9
Fuel and power industry	12,509	3,032	4,253	132.0	151.5
Metallurgical industry	9,755	1,679	2,784	120.8	139.9
Electric-machine industry	7,051	1,143	1,777	119.3	133.7
Chemical industry	6,932	1,192	1,924	120.8	138.4
Mineral industry	7,285	1,603	2,360	128.2	147.9
Paper-timber industry	6,762	1,602	2,227	131.0	149.1
Light industry	6,455	1,225	2,071	123.4	147.2
Food industry	6,895	1,601	2,245	130.2	148.3
Construction	7,881	1,409	2,203	121.8	138.8
Agriculture	8,200	2,207	2,910	136.8	155.0
Forestry	6,512	1,688	2,258	135.0	153.1
Transportation & Communications	7,516	1,393	2,219	122.8	141.9
Trade	6,208	1,491	2,060	131.6	149.7
Municipal economy	7,243	1,331	2,156	122.5	142.4
Housing economy & nonmaterial econ'y	6,274	1,131	1,782	122.0	139.7
Science and technical development	7,085	900	1,436	114.6	125.4
Education and upbringing	6,267	1,402	1,845	128.8	141.7
Culture and art	5,813	892	1,434	118.1	132.7
Public health & social welfare	5,854	1,136	1,652	124.1	139.3
Physical education, tourism, and recreation	5,846	934	1,418	119.0	132.0
State administration and the administration of justice	6,762	1,054	1,496	118.5	128.4
Finance and insurance	5,963	1,164	1,623	124.3	137.4

*Data for industry includes central offices of industrial associations. Data for groups of branches excludes central offices of industrial associations.

Payments made in 1981 out of the plant bonus fund for 1980 approximated 46 billion zlotys and were about 10 billion zlotys, or 26.9 percent, higher than in 1980.

The net mean nominal monthly wage per employee in the socialized economy in 1981 was 7,250 zlotys and was 1,461 zlotys, or 25.2 percent, higher than in 1980.

In the various sectors of the national economy, the net nominal monthly wage averaged the figures given [above in Table 9].

[Table 10. Basic Data on Annuities and Pensions]

Description	Unit of measure	1980 In absolute figures	1981 In absolute figures	1981 Increase in relation to 1980 in absolute figures	1981 Increase in relation to 1980 in percent
Mean number of annuities and pensions*	1,000s	4,094	4,228	134	103.3
Annuity and pension benefit payments*	billion zlotys	142.4	182.3	39.9	128.0
Mean current monthly annuity and pension*	zlotys	2,775	3,405	630	122.7
Mean number of private farmer annuities and pensions	1,000s	423	550	127	130.0
Payments of annuity-pension benefits for private farmers	billion zlotys	10.0	13.9	3.9	139.0
Mean monthly current annuity and pension for private farmers	zlotys	1,999	2,307	308	115.4

*Except private farmers

Although the rate was somewhat slower, a rise in annuities and pensions also occurred alongside the increase in nominal wages. In 1981 the mean monthly annuity and pension being currently paid amounted to 3,405 zlotys, or 47 percent of the mean monthly wage.

Table 10 above presents data on annuities and pensions.

The nominal cash income of private farmers from farm production designated for consumption and nonproduction investments in 1981 was about 64 percent higher than in 1980. The increases in the prices the state paid to procure farm products and the increase in free market prices, which increased altogether by about 65 percent, alongside a quantitative decline in market production of about 10 percent (commodity production of livestock in private agriculture declined by about 20 percent, but commodity crop production increased by about 39 percent, in constant prices) contributed to this very great increase first of all.

Alongside the increase in the level of nominal wages, the private farmers' income from farm production, and annuities and pensions in 1981, there was a significant increase in the prices of most basic goods and services.

The increase in the prices of goods and services bought by the population in 1981 caused the living costs of families of employees in the socialized economy to be about 25 percent higher than in 1980, partly from purchases in the socialized trade (21 percent higher) and in nonsocialized trade (about 58 percent higher). Also exerting some influence on the level of the cost of living were the prices of goods which the population was forced to buy on the black market. Sometimes these prices were from two to six times higher than the retail prices. It is estimated that the influence these prices had on the cost-of-living index amounted to about 1.3 points.

The prices of food bought by the population in 1981 were about 23 percent higher than during the previous year (including about 58 percent in country markets), while the increases amounted to about 57 percent for spirits, about 18 percent for nonfood items, and about 15 percent for services.

The shortage of basic items on the market, and the long lines to buy them made the population's living conditions very difficult. Rationing of many basic items did not reduce these difficulties very much.

The mean increase in the cost of living approximated the mean increase in nominal wages. It is estimated that in about 55 percent of employee households, the increase in the cost of living was greater, including about 25 percent of the households in which the difference was more than 10 percent.

Social and Cultural Services

In 1981, social and cultural services were not improved, despite increased outlays. According to preliminary data, current state budget expenditures were as follows:

[Table 11. Current State Budget Expenditures for Services in 1981]

Description	1981 billions of zlotys	1981 1980=100
Total	245.3	129.3
Education and upbringing	103.6	129.5
Culture and art	14.9	118.9
Public health and social welfare	122.2	131.2
Physical education and sports, tourism and recreation	4.6	114.9

In 1981, under the influence of the country's demographic situation, there was a further increase in the number of children falling within the age of compulsory education. This included a rise in the number of children starting to school at the elementary level. At the same time, there was a decline in the number of elementary school graduates and therefore in the number of children in the postelementary schools. There was also a decline in the number of students in the institutions of higher education.

In 1981, 1,213,500 children were enrolled in preschools. This was a decline of 0.8 percent in relation to 1980. About 98,000 of the children on the application list for preschool care were not accepted. Preschool density declined from 124 children per 100 places in 1980 to 115 children per 100 places in 1981. About 48 percent of the children aged 3 to 6 years and about 98 children 6 years of age were enrolled in child care facilities.

During the current school year, 6.9 million individuals are being taught in schools at all levels. This is 19.1 percent of the population of the country. There are 4,341,600 children studying in the elementary schools. This is 1.9 percent more than the previous year. There are 392,900 in general high schools (5.3 percent fewer. The vocational schools are teaching 1,730,300 students (6.5 percent fewer), and the institutions of higher education have 423,700 students (6.6 percent fewer).

About 465,000 young people directly following elementary school graduation were accepted into schools above the elementary level. This is about 98.9 percent of the previous year's graduates. As in previous years, the overwhelming majority of elementary school graduates were directed to vocational schools. The general high schools accepted 89,800, but the vocational schools took about 375,000 of the elementary school graduates.

The number of students newly accepted for freshman college studies totalled 76,600, 14.8 percent fewer than the previous year. Some 57,200 students were enrolled in daytime college studies. This is 5.8 percent below last year's figure.

In 1981 497,400 pupils completed their elementary school education. There were 105,300 students graduating from general high schools and 537,900 from vocational schools (including 212,100 from secondary schools).

Cash scholarships were received by 117,000 daytime college students, or about 41 percent of all of them. This is a decline of 11 percent compared to the number of daytime college students receiving scholarships last year.

In 1981, 1,669,300 children and youngsters had a vacation set up for them outside their place of residence. The number of such children enjoying this form of recreation declined by 39.5 percent in relation to the previous year.

The number of physicians employed at the end of December 1981 amounted to 65,000, which was an increase of 1,400 in relation to the number employed in December 1980. The number of dentists employed was 17,000. There were 18 physicians and 4,700 dentists per 10,000 population.

At the end of December 1981 the number of hospital beds totalled 203,400, which means an increase of 2,600 in relation to the condition at the end of 1980. The number of hospital beds per 10,000 population stood at 56.4, which means no significant change in relation to the previous year.

The number of places in permanent nurseries during the year increased by 2,800 to 106,300 at the end of December.

The number of places in social welfare facilities reached 61,100, an increase of 600 in comparison to 1980.

The supply of medication and hygienic products to the population became worse. There were also significant shortages in the supply of basic medical items and equipment essential to the saving of lives, such as apparatus for blood transfusions, single-use syringes and needles, EKG paper, surgical gloves, dialysis equipment for artificial kidneys for health service facilities.

The substantial decline in infant mortality is worth noting. In 1981 the infant mortality index was 20.7 per 1,000 live births, compared to 21.3 in 1980.

During 1981 there was a decline in publishing. The number of titles of books and pamphlets published declined by 1,818, or 26.2 percent in relation to 1980, to a level of 5,125 titles. This decline occurred in all publishing echelons, including a drop of 1,663 titles (28.1 percent) in the units subordinate to the Ministry of Culture and Art, to a level of 4,250 titles in 1981, compared to 5,913 titles in 1980.

The production of school textbooks continued to decline from 626 titles published in 1980 to 480 titles published in 1981.

There was also a decrease in the size of the editions of books and pamphlets. In 1981, 135,200,000 copies were published, or 13.3 percent fewer than in 1980. Per inhabitant, 3.8 copies of books and pamphlets were published, compared to 4.4 in 1980.

In 1981 51 newpaper titles and 929 periodical titles were published. This represents a decline of 71 periodical titles.

Total periodical editions in 1981 amounted to 643.3 million copies, 19.4 percent below the 1980 level.

Total newspaper editions amounted to 2,495,200,000 and were 8.5 percent below the number of copies in 1980.

The number of theater- and concert-goers totalled 17.6 million in 1981, and this was a decline of more than 200,000 compared to 1980. On the other hand, motion-picture audiences increased by 2.5 million to reach 100 million.

In 1981 the number of radio subscribers (8.6 million) remained at the 1980 level. On the other hand, during 1981 the number of television subscribers increased by 196,000 (2.5 percent), reaching 8,150,000.

In 1981, 4.2 million persons availed themselves of employee vacation opportunities. This is about 114,000 fewer than in 1980 and represents a decline of 2.6 percent. Since 1977 there has been a decline in the total number of the population travelling abroad. In 1981, 3.9 million Polish citizens went abroad. This is 43.5 percent below the 1980 level. This includes 917,900 persons going to capitalist countries. Compared to 1980, trips to capitalist countries increased by 32.1 percent.

On the other hand, 2.2 million citizens of other countries came to Poland in 1981. This is 69.3 percent fewer than in 1980. Included in this figure is the 1.6 million persons visiting from the socialist countries, which represents a decline of 74.3 percent in relation to 1980.

10790
CSO: 2600/387

SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Exchange Rates Table No 7/82

Warsaw TRYBUNA LUDU in Polish 15 Feb 82 p 5

[Announcement of Exchange Rates Table No 7/82, effective February 15, 1982, by Polish National Bank, Warsaw, February 15, 1982, Stanislaw Majewski, president]

[Text] I. Foreign-currency exchange rates in zlotys for first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/82, dated February 8, 1982, remain unchanged.

In purchases of travelers checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,460.00 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 7/82:

Country	Curr Symb		Currency	Purchase	Sales	Foreign Exchange and Money Purchase	Sales	Average
				4	5	1	2	6
Saudi Arabia	771	1	rial***	23.77	24.01	--	--	23.89
Australia	781	1	Austral.dollar	88.84	89.74	87.50	91.08	89.29
Austria	786	100	schillings	495.72	500.70	488.25	508.17	498.21
Belgium	791	100	francs	203.76	205.80	200.68	208.88	204.78
Denmark	792	1	kroner	10.61	10.71	10.45	10.87	10.66
Finland	780	1	markka	18.16	18.34	17.88	18.62	18.25
France	793	1	franc	13.64	13.78	13.44	13.98	13.71
Greece	724	100	drachmas	135.27	136.63	117.24	138.67	135.95
Spain	785	100	pesetas	81.83	82.65	80.60	83.88	82.24
Holland	794	1	florin	31.63	31.95	31.15	32.43	31.79
India	543	100	rupees***	887.53	896.45	--	--	891.99
Ireland	782	1	pound***	122.29	123.51	--	--	122.90
Japan	784	100	yen	34.79	35.13	34.26	35.66	34.96
Yugoslavia	718	100	dinars	170.08	171.78	147.41	174.35	170.93
Canada	788	1	Canad.dollar	67.34	68.02	66.33	69.03	67.68
Kuwait	770	1	dinar***	285.60	288.48	--	--	287.04
Lebanon	752	1	Leb. pound	17.15	17.33	16.90	17.58	17.24
Libya	651	1	dinar***	274.28	277.04	--	--	275.66
Luxembourg	790	100	francs	203.76	205.80	200.68	208.88	204.78
Norway	796	1	kroner	13.71	13.85	13.50	14.06	13.78
Portugal	779	100	escudos	118.51	119.71	102.72	121.49	119.11
FRG	795	1	mark	34.70	35.04	34.17	35.57	34.87
USA	787	1	dollar*	81.30	82.12	80.08	83.34	81.71
Switzerland	797	1	franc	43.11	43.55	42.46	44.20	43.33
Sweden	798	1	kroner	14.22	14.36	14.00	14.58	14.29
Turkey	627	100	pounds	56.90	57.48	49.32	58.33	57.19
Gr. Britain	789	1	pound**	151.34	152.86	149.06	155.14	152.10
Italy	799	100	lira	6.49	6.55	5.62	6.65	6.52

*Applies also to clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Applies also to clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not buy money in these currencies.

Exchange Rates Table No 8/82

Warsaw TRYBUNA LUDU in Polish 22 Feb 82 p 7

[Announcement of Exchange Rates Table No 8/82, effective February 22, 1982, by Polish National Bank, Warsaw, February 22, 1982, Stanislaw Majewski, president]

[Text] I. Foreign-currency exchange rates in zlotys for first payments area [socialist countries] for commercial and noncommercial payments in Table 6/82, dated February 8, 1982, remain unchanged.

In purchases of travelers checksfor rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11.539.00 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 8/82:

Country	Curr Symb		Currency	Foreign Exchange and Money Purchase 4	Sales 5	Purchase 1	Sales 2	Average 6
Saudi Arabia	771	1	rial***	24.01	24.25	87.43	--	24.13
Australia	781	1	Austral.dollar	88.76	89.66	479.66	90.99	89.21
Austria	786	100	schillings	487.00	491.90	197.71	499.24	489.45
Belgium	791	100	francs	200.73	202.75	10.29	205.77	201.74
Denmark	792	1	kroner	10.45	10.55	17.76	10.71	10.50
Finland	780	1	markka	18.03	18.21	13.29	18.48	18.12
France	793	1	franc	13.49	13.63	117.66	13.83	13.56
Greece	724	100	drachmas	135.75	137.11	--	139.16	136.43
Spain	785	100	pesetas	81.12	81.94	79.90	83.16	81.53
Holland	794	1	florin	31.22	31.54	30.75	32.01	31.38
India	543	100	rupees***	896.58	905.60	--	--	901.09
Ireland	782	1	pound***	120.16	121.36	--	--	120.76
Japan	784	100	yen	34.03	34.37	33.52	34.88	34.20
Yugoslavia	718	100	dinars	171.10	172.82	148.30	175.40	171.96
Canada	788	1	dollar	67.48	68.16	66.46	69.18	67.82
Kuwait	770	1	dinar***	287.36	290.24	--	--	288.80
Lebanon	752	1	pound	16.77	16.93	16.51	17.19	16.85
Libya	651	1	dinar***	277.09	279.87	--	--	278.48
Luxembourg	790	100	francs	200.73	202.75	197.71	205.77	201.74
Norway	796	1	kroner	13.65	13.79	13.45	13.99	13.72
Portugal	779	100	escudos	118.17	119.35	102.41	121.14	118.76
FRG	795	1	mark	34.23	34.57	33.71	35.09	34.40
USA	787	1	dollar	82.13	82.95	80.89	84.19	82.54
Switzerland	797	1	franc	42.69	43.11	42.04	43.76	42.90
Sweden	798	1	kroner	14.11	14.25	13.90	14.46	14.18
Turkey	627	100	pounds	57.49	58.07	49.83	58.94	57.78
Gr. Britain	789	1	pound**	150.23	151.73	147.96	154.00	150.98
Italy	799	100	lira	6.42	6.48	5.56	6.58	6.45

*Applies also to clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

**Applies also to clearing accounts with the following countries: Nepal and Pakistan.

***The Polish National Bank does not buy money in these currencies.

9295
CSO: 2600/366

AGRICULTURE MINISTER MEETS WITH VICE GOVERNORS, EDITORS

Conference of Vice Governors

Warsaw GROMADA - ROLNIK POLSKI in Polish 9 Feb 82 p5

[Article by stas: "Agriculture at the Half-way Mark"]

[Text] A meeting of the vice governors responsible for agricultural affairs was held under the leadership of Jerzy Wojtecki, Minister of Agriculture and Food Economy. There was a preliminary summing up of the results for 1981, and the major directions of tasks for 1982 were specified.

The marketing year in agriculture runs from July 1981 to 30 June 1982 (from harvests to new harvests). Assessments of results were made in terms of the calendar year, that is, all of 1981 and the first half of the marketing year. In the multiyear assessments, the year 1981 was considered intermediate in crop production. Record-breaking results were achieved only in sugar-beet production, for which harvests totalled 15.8 million tons. Total grain production reached the 20-million ton level. Potato harvests amounted to 43 million tons and were below average results, although they were far better than 1980 harvests(26 million tons). Poor rape harvests amounted to only 470,000 tons. Good results were achieved in the production of bulk fodder, largely straw and silage, providing good fodder conditions for the raising of cattle and sheep and for the production of milk.

Last year there was a decline in the production of meat, as a result of the 1980 crop failure. Despite the importation of 175,000 tons of meat, there was a 25,000-ton shortage to meet ration-card needs in 1981. The procurement of grain was found to be poor. By the end of the year, only 1.35 million tons of grain had been bought up from the 1981 harvests for which contracts had been signed.

The following economic tasks were listed as urgent:

Absolute [fool-proof] provisions for grain for bread. The grain balancesheet shows that for the new harvests there is a shortage of about 2.5 million tons of grain for bread and flour products, of course, after consideration is given to the inventory of stock at year's end. In Poland about 0.5 million tons of grain is used per month for bread and grain products (flour,

meal, spaghetti and macaroni, and so on. The intention is to obtain the necessary quantities of grain from the contract system (about 1 million, and it would take this much to make up for the amount we are behind) along with 1.5 million tons through what are called "grain loans." Socialized farms or farmers who supply grain by 30 June to socialized procurement points receive grain bonds in their names for it. These bonds in 1983-1985 will be bought up by the BGZ [Food Economy Bank] at the grain prices in effect at the bonds are executed, plus 7 percent interest.

Management of production and procurement of livestock for slaughter based on the farms' own fodder resources, giving them assurance of state fodder aid in effect at the time. In order to maintain the meat production level in agriculture to meet ration-card needs for meat rationing in effect in 1981, it is necessary to import 5 million tons of grain and 1.5 million tons of fodder concentrates. Under present conditions, this is not very likely. The United States has refused to sell us corn. This means a decline in the production of broilers, a decrease of 300,000 tons in 1982.

New principles for contracts for farm products will be announced shortly. The signing of contracts is to be the voluntary, universal form of procurement of all farm products. Bonuses will be given for the delivery of products under contract if made on schedule. The principles of the civil-legal obligations of the contracting parties are to be bolstered. Contracting organizations are to guarantee part of the essential means of production: chemical fertilizers, pesticides, fodder, and coal, as well as the delivery of certain items of farm machinery and implements. To facilitate correct calculations, there are plans to introduce the grain unit as a joint measure of market-oriented production.

Centrally divided farm machinery and tractors were distributed to the voivodships. The voivodship governors will distribute them to the sectors of agriculture in their own areas.

The possibility of employing a system of prepayments for tractors and farm machinery is being considered. Now, the farmer with a special cooperative-bank account in which farm product payments since 1 November 1981 will be revalued (according to the change in procurement prices) will be able to make a prepayment. The farmer self-government in the gmina [parish] would determine the order of delivery of tractors and machinery, according to the urgency of the needs of the farmers making the prepayments. The introduction of prepayments will also make it possible for the farm-machine industry to learn the scale of needs and to determine how much to produce of what for agriculture.

In closing people were told that a meeting in later winter would be held with the vice governors of the voivodships to discuss tasks of the spring agricultural campaign.

Editors of 'GROMADA - ROLNIK POLSKI'

Warsaw GROMADA - ROLNIK POLSKI in Polish 14 Feb 82 pp 1,3

[Interview with Jerzy Wojtecki, Minister of Agriculture and Food Economy, by Stanislaw Sobczyk and Antoni Radzewicz: "What Can the Farmer Do and What Can the Minister Do? -- Barriers and Hopes for the Villages in 1982"]

[Text] On 8 February, Minister of Agriculture and Food Economy Jerzy Wojtecki received our editors and talked with them. The editor-in-chief told the minister about the editorial work following the resumption of publishing and about action aimed at upgrading newspaper distribution and printing. During the discussion, editors Wlodzimierz Checko, Zbigniew Lubak, Antoni Radzewicz, and Stanislaw Sobczyk were present, the latter two remaining to interview Minister Wojtecki.

[Question] What are we to do with the piglets born this spring? What are we going to give them to eat? Many farmers are complaining about this. Mixtures in the warehouses are like medicine. Things are starting to become very fragile with local fodder supplies on the farms, because raisers have been counting on greater fodder assistance from the state. But there is still grain on the market at a price. From the rural areas we are receiving signals which are more and more disturbing.

[Question] Last week our paper had a visitor from Wisniewo (Ostroleka Voivodship), Wiktoria Budna, who destroyed a litter of piglets right after birth. Another litter, as successful as the first, she divided up among two sows, so that they could feed the piglets as long as possible. And she does not know what she is going to do with the piglets from four other sows which are to produce in April either.

[Answer] These signs really are disturbing, especially since our investigations show that there is no surplus production of piglets in the country. It is true that in recent weeks prices declined in many regions, but we think that in a couple of weeks, as the spring warming trend occurs, interest in piglets will increase again. Seasonal fattening is getting under way. The RSP [Agricultural Producer Cooperative] and state farm buying of piglets is beginning. There will also be greater demand on the farms of worker-farmers, annuitants, and pensioners, because there have been recent increases in the prices for food, and this will encourage them to raise hogs, at least for their own needs, but if prices are low somewhere, then we will start emergency procurement of piglets at profitable prices. After all, each piglet counts and must not be wasted.

[Question] But every pig wants to eat...

[Answer] We have thought about this. We are guaranteeing 50 kilograms of L,P concentrated mixtures for every litter and 50 kilograms of concentrated feed.

For the moment there is fodder for this purpose, and we will try to see that there is no shortage of it up to the next harvests.

[Question] Nevertheless, the allocations are not enough. Is there no possibility of increasing the fodder assistance, if only for the largest producers?

[Answer] We know that these standards are inadequate. This pains us. The truth is that in November of last year the grain and fodder balancesheets drawn up showed that based on farmers' own fodder and concentrates we could produce barely 52-53 kilograms of meat per inhabitant. It was determined that this quantity was inadequate. The decision was made to import 5 million tons of grain and 1.5 million tons of protein concentrates, in order to be able to increase meat deliveries by 5-10 percent in relation to last year.

On the other hand, we were not able to buy this much grain and concentrates abroad. It was necessary to pass the decision to hold up broilers in the farm fattening process and to reduce the production of eggs. The procurement of domestically produced grain is also going worse than we had anticipated. By the end of January we had bought up only 1.5 million tons, while we had planned to buy 3.6 million tons from last year's harvests.

[Question] What are the effects of such slow grain procurement?

[Answer] Already in February in some GS [gmina cooperatives] warehouses there was a shortage of "prowit" designated largely for allocations in exchange for deliveries of hogs and milk. If there is no grain, even "prowit" cannot be produced. It is true that there is not much grain in it, but without the grain, there is nothing that can be done. Milk produotion for direct consumption and for baking bread is also seriously threatened.

[Question] Does this mean that we will be short of bread?

[Answer] Whatever shortages there are, we cannot have a shortage of bread in our country. Nobody can go short. We also want the fodder provided for in the contracts to last as long as possible.

[Question] But not even a Solomon can pour from an empty jug...

[Answer] This is why we are making further efforts to buy grain abroad. Our greatest efforts are going into the importation of soy, corn, oil cakes, fish meal, and other fodder ingredients. We are also making a fervent appeal to our farmers to follow through on last year's contracts and to lend us grain.

[Question] In grain deliveries for the state, on which farms are you counting the most?

[Answer] Before I answer that, let me use your intermediary to extend my heartfelt thanks to all those farmers who provided large amounts of grain for the state warehouses. These are usually the farms which in addition to

grain also sell large amounts of pork, beef, milk, and livestock. These are usually the good farmers. You can always count on them! Other farmers also have considerable reserves of grain too. We would like to awaken in all our farmers a sense of public duty and responsibility for feeding the nation.

[Question] How does the ministry intend to further gear livestock production so that there will be no empty troughs in the future?

[Answer] Owing to the enormous burden of the state's balance of payments and the tendency to become independent of other countries, in the long run it is not possible to import so much fodder. For this reason we are trying gradually for self-sufficiency. Nonetheless, we have to be aware of the fact that this will occur at the cost of reducing the number of head of livestock and at the cost of reducing meat consumption. For example, we are planning that in 1985 we will be able to produce 60 kilograms of meat per person using our own fodder. That is, no more than today.

It is absolutely necessary for farmers to know this. Then they will not be expecting major deliveries of fodder from outside and will plan their livestock development according to their own fodder capabilities.

[Question] But many farmers have already invested tremendous sums in farm buildings and equipment for mechanized livestock raising. What about the assets?

[Answer] In order to facilitate production next year we want to introduce the barter of grain for industrially-produced fodder. This is after all what GROMADA - ROLNIK POLSKI is fighting for too. On the other hand, we do not anticipate the allocation of mixtures except for this barter system. Therefore it is necessary to set up production and plan sowing so that local fodder will be enough. There is no other way.

[Question] The farmers will soon be going out into the fields. What sort of assistance can they expect in deliveries of seed for sowing?

[Answer] The course of procurement of sowing material and importation of seed shows that for this spring there will be more of some kinds of seed and less of others. There will be more seed for leguminous crops, grasses, root crops, oilseed crops, and corn than in 1981. There will be more garden-crop seed for such vegetables as peas, stringbeans, broad beans, cucumbers, tomatoes, radishes, spinach, and white cabbage. But things will be worse for spring grain (deliveries of about 120,000 tons of spring grain, compared to the 170,000 tons deliveries in 1981). There will be less seed for papilionaceous small-grain crops. Among the garden crops, there will be less onions (a shortage of about 40 percent), cauliflower, leaks, brussels sprouts, and beans for grain too.

[Question] How about quality and watershed cover?

[Answer] Things will be worse with seed for carrots, beets, parsley, and lettuce.

Of the total amount of sowing material for spring grain, a certain pool of seed has been set aside to help with seed for areas suffering the effects of natural disasters.

Spring grain seed will be supplied to farmers for planned renewal, provided that they sell as least 120 kilograms of consumer grain for each 100 kilograms of seed plus a surcharge for the price difference.

[Question] Will the industries under your oversight have agricultural raw materials assured them for their processing capacity?

[Answer] We are trying to insure farm raw materials for processing industry. This is why we have issued guidelines on activation of procurement and universal contracting for farm products. All basic crop and animal products will be included in the general contracting system, that is, grain, potatoes, sugar beets, rape, tobacco, hops, fiber crops, fruits, vegetables, seeding material, hogs, cattle, calves, sheep, poultry, milk, eggs, wool, and freshwater fish. We are contracting in all sectors of agriculture. The sales of the basic means of production for agriculture, like chemical fertilizers, coal, fodder produced industrially, pesticides, and others will be linked to contracts. Machinery, tractors, building materials, automobiles, and trucks will be sold through prepayments in cooperative banks accumulated out of the sale of contract production.

[Question] How far along is contracting?

[Answer] The contracting of crop production from 1982 harvests is not going very well. Only contracts for industrial and consumer potatoes are higher than last year.

We have also renewed grain contracts for the 1982 harvests. We are currently in the process of signing contracts with socialized farms and farmers. We want the farm producers to sign the contracts back before they sow. We will go on signing grain contracts to to the end of April 1982.

[Question] How will the supply of fertilizers and pesticides be?

[Answer] In marketing year 1981-1982 the plan for deliveries of chemical fertilizers called for a level of 191 kilograms of NPK [nitrogen-phosphorous-potassium] per hectare of cropland. The smaller fertilizer deliveries in the latter half of 1981 have caused the implementation of the plan for the application of fertilizers to be in jeopardy. There may be a shortage of about 5 kilograms of NPK per hectare, and the application of fertilizer may be about 10 kilograms of NPK below the level of marketing year 1980-1981. The chemical fertilizer deliveries announced by the chemical industry for the first quarter show in relation to the first quarter of 1981 a shortfall of 40,000 tons for nitrogen (11 percent) and a shortfall of 35,000 tons for phosphorous (15 percent). Potassium salt deliveries are at last year's levels. The plan for lime fertilizer deliveries called for 133 kilograms of calcium oxide per hectare of cropland. During the latter half of 1981 46 percent of the annual plan was accomplished. Shortfalls in deliveries of

lime for that period approximated 120,000 tons in terms of pure component. These shortages must be made up. There is also the need to direct additional quantities of lime to the flood regions.

The situation is very difficult for deliveries of pesticides. Delays in signing import contracts and the extent to which the deliveries are being carried out show that there may be delays in the delivery of certain imported products. We are trying through the foreign trade ministry to expand the purchases and to accelerate delivery deadlines. All I can say today is that only part of the planned needs will be met: 60 percent of the needs for herbicides for grains, 60 percent of the needs for agents to combat the potato beetle, 50-60 percent of the needs for fungicides for orchard protection, 30 percent of the needs for seed dressing, 40 percent of the needs for sugar beet herbicides, and 20 percent of the needs for insecticides for hops and tobacco, and so on.

[Question] So things are not too cheery in that area. Well, what about fuels?

[Answer] If you are talking about the supply of fuel to farmers, the information is more encouraging. They can get fuel oil for tractors without restriction in generally accessible fuel stations and also in the fuel stations of SKR [Agricultural Circles' Cooperatives]. Beginning in March standards will be introduced for the supply of gasolines, as for the population in towns. We are trying to see that the farmers receive somewhat higher gasoline allocation standards and that they can collect them all at once for the entire month.

[Question] We would not be from GROMADA - ROLNIK POLSKI if we failed to ask at least one question from our readers' letters. Here it is: For how much longer must the staunch farmers lose on the procurement price increases?

[Answer] We would like these practices to be already part of the past and for them never to be repeated. We introduced new prices as of 1 February with just such a notion that they would apply to this year's harvests, without any corrections. We will make a change in procurement prices only after the 1982-1983 harvests, if there is such a need owing to increased production prices, and we will consult the farmers on this. This too will be just once a year, in keeping with the principle of creeping prices and in the interest of the most dedicated producers.

[Question] But last year many farmers lost a great deal of money because of the sudden changes in the prices on grain and livestock. How does the ministry intend to make it up to them?

[Answer] At today's meeting I called on the voivodship governors to have the social commissions and heads to allocate machinery and farm implements first of all to those farmers who sold their crops at lower prices. We will watch this to see that this principle is followed in every gmina. Nobody must feel cheated.

[Question] What sort of changes for the better can be expected in the near future in the development of production?

[Answer] Despite martial law, the climate for agriculture is favorable. Two sectors are being recognized as most important, the raw materials industry, especially the extraction of coal, on the one hand, and agriculture, on the other. Among top officials, there is full awareness that if we want to feed ourselves, then a permanent farm policy must be guaranteed, along with the inviolability of the family farm and right of ownership, and that rural social conditions must be improved along with the profitability of all products. And these factors mentioned are being secured with nearly legal protection, because work on the modernization of the civil code is coming to an end along with changes in regulations about land registries, and the recultivation, unification, integration, and protection of land. Discussion is also in progress on the new farmers' insurance law. We are constructing these regulations mainly with a thought to the next generations, the young people who should choose to throw their lot in with agriculture and see a future in farming. We will analyze and refine these regulations; last year we undertook many credit privileges for young farmers. We cannot let the most talented youth leave the rural areas.

Taking advantage of this meeting with the readership of the largest rural newspaper, I should like once again to emphasize that farmers can be certain about the permanence of farm prospects and policy. It is only they themselves who will decide what forms of farming they want to select in the future. Therefore, the martial law situation has not introduced even the most minor change in farm policy.

[Question] What will the current year in agriculture be like?

[Answer] Like every farmer, I would like this to be a year of unmiscarried hopes. I wish this to all the people living in rural areas. But what will it really be like? This depends to a great extent also on the industriousness and foresight and thriftiness of us all.

[Question] Thank you for the interview, because it is getting to be 9 in the evening. As we have heard, Mr Minister, tomorrow you are off to Olsztyn early in the morning.

[Answer] Farmers never count their time.

10790
CSO: 2600/413

POLAND

HOG PRODUCTION PROBLEMS NOTED

Warsaw ZYCIE GOSPODARCZE in Polish No 4, 14 Feb 82 p 6

[Article by Marcin Makowiecki]

[Text] Information on the reasons for the present situation on the meat market is, on the whole, rather one-sided. Everyone knows that there is not enough meat to fill even the reduced, as of August of last year, ration-card allotments. The leadership in the Ministry of Agriculture is attempting to explain the reasons for this crisis (a lower number of hogs, difficulties with fodder, coal, the general situation on the agricultural market) and to present some real prospects for an improvement in supplies, from which it appears that we cannot expect an increase in deliveries before the second half of 1982.

And what are the farmers saying? What is the opinion of the meat producers? Do we know enough about the actual difficulties and problems that the hog breeders are dealing with. It would be well, therefore, to become familiar with the arguments and opinions of the people who, without a doubt, may be regarded as representatives of the producers' community. This, then, is a report of a conversation with activists of the Polish Union of Hog Breeders and Producers, an organization that was reactivated in 1981.

Marian Andrzejewski, recently re-elected president of the Union, has a 23-hectare breeding farm (in Krobia, in the Leszno voivodship), devoted exclusively to the production of hogs. He sells 350 breeding and slaughter hogs each year. The second person in the conversation with me, Zdzislaw Odolinski, a long-time worker in the Union (which was formerly an association) of Hog Breeders and Producers. He returned to his former position as the Union's office manager after an interruption of several years, during which he ran a large hog farm in the Szeligi PGR [State Farms].

We begin the conversation with an assessment of the production situation--we are talking about hogs--on the private farms. Do farmers really have hogs and do not want to sell them to the state?

In the opinion of my interlocutors "such opinions simply offend the farmers", because there is no reason why an honest breeder would hold back on sales. On the contrary, he is generally interested in closing the production cycle as quickly as possible and beginning the next one. Cases of holding back animals

may occur in specific situations in some farms and, at the most, pertain to only a few percent of the producers, but not in general. This phenomena, but for a short time, appeared on a larger scale when news reached the villages about planned changes in procurement prices. And this is not surprising. "Whoever wants to learn the truth should ask the farmers themselves and not listen to people who are not familiar with village matters."

The principle cause of lower deliveries of livestock for slaughter is the decline in hog production which occurred when deliveries of fodder from state stocks were reduced. This primarily affected all those farms that had expanded their hog breeding to a disproportionately large degree in relation to their own fodder production capability. A considerable number of large, specialist farms that have large buildings and small land holdings are forced to buy fodder. How many such farms are there? There are no accurate figures. But we can estimate that in all of private agriculture we are not utilizing, at present, from one to two million production spaces for hogs. Many of them are in good accommodations, where work hands are available and farmers have the necessary skills. These farms could increase production immediately if they had fodder. But at present there can be no talk about increased deliveries from the state (imports!). It is precisely these farms for whom grain purchases should be made possible.

By the way, Marian Andrzejewski, to improve the fodder situation on his farm, not only enlarged the farm systematically (beginning with a few hectares) but he also adapted the structure of the crops strictly to the needs of hog raising. At present, the farm is 60-70 percent self-sufficient and he does not buy basic fodder from the state, just special mixtures (for sows and piglets) and concentrates which he cannot produce on his farm.

The example of this farm points to a course of action for others in the same situation. But it is also worthwhile to look for other possibilities of using free space in buildings for hogs. Talks are now being conducted with foreign firms, including Polish ones, on the subject of deliveries of full-ration fodder. They would be paid for with meat or livestock for slaughter. If this transaction were to go through it would be very advantageous. From 8 kilograms of fodder, we could produce 1 kilogram of livestock for slaughter. In view of the fact that this would be high-quality fodder, we could, in the final calculation, produce from that fodder, on an average of one porker for payments and another one for the domestic market (this second one would cover the cost of labor, energy, space, etc.). The talks are in an advanced stage and it is expected that a contract will be signed. My interlocutors did not give any more details at this time.

We know, however, that mass production in those millions of farms on which hogs are raised would have a decisive effect on market supplies. But do we see any inclination on the part of those farms to increase production?

According to Messrs Andrzejewski and Odolinski, yes. The high prices of piglets in most regions attest this. Farmers are bringing more sows to the breeding points, therefore there will be more piglets in the first 6 months and more porkers in the second.

In the light of food supplies and prices (particularly in free-market trade), most often the feelings that are generated are those that exacerbate relations between the town and the village. But my interlocutors believe that the reasons for these feelings should be sought not in the agricultural communities and among the workers. The farmers are interested in selling their products. In return, they must be paid enough to cover their production costs and pay them for their labor. Out of the money that they receive, they must buy the means for further production. The majority of the people generally understand this and appreciate it. Therefore, we must not inflame anti-peasant feelings, which is particularly dangerous because the basic condition for the development of agricultural production is a good political climate, social calm, and a sense of permanence for private farms.

In view of the catastrophic situation on the food market, various actions are being undertaken to stimulate the procurement and production of meat. The concept of tied sales did not prove itself in practice. It produced more confusion than benefit and actually had no effect on the farmers' production decisions. But the government's decision on revalorization of products sold after November 1st, in accordance with new prices in 1982, had a positive effect on production and procurement, especially since the economic factor, profitability, is the key to development of production.

What is important here is not just the absolute level of livestock for slaughter procurement prices, but also the ratio to the price of grain. Properly, this should be 1:9. According to official prices, the present ratios are correct, but the farmers must also know what the free-market prices are, for they have to buy grain at those prices when they do not have enough fodder. Then all the theoretical calculations of profitability go out the window. The Union believes that procurement price policy ("creeping prices") should be established after objective analyses are conducted (by the ministry, unions and branch associations, farm producers, and IER [Institute of Agricultural Economy]), which will take account the level and internal ratios of crop sales prices and means of production.

We must stop the practice of catching the farmers unawares with price decisions. Farmers must know about planned changes in advance, so that they can adapt their production plans to these changes. The pricing policy and the forming of economic conditions of production should be tied to the contracts between the farmers and the government for supply of agricultural products. Contracts--and the formalities must be simplified--must be binding upon both sides.

Another fundamental factor in hog-raising is fodder deliveries. In view of the difficulties that we are now having, the sine qua non condition remains the ability to provide special fodder for suckling gilts and for piglets. This fodder is now being produced in minimal quantities and about three times that many are needed. "We understand that the state cannot import and sell to the farmers the large quantities of grain needed to produce fodder for porkers. In view of the present crisis we accept this, but there can be no shortage of fodder for gilts and piglets, for this is the foundation of breeding. A shortage here will only deepen the crisis."

In addition, good concentrates of guaranteed quality are needed, concentrates which in addition to protein, contain vitamin mineral additives prepared in accordance with formulas for all hog age groups. This permits a large number of farms to produce standard-value feed from their own fodder. Concentrates can be mixed with various farm fodders, in different proportions, with potatoes, fodder beets, green forage, etc. The Union is coming out with various initiatives on how to reduce grain-intensiveness in hog-raising. For example, in several voivodships, small drying plants were built, in which, at a very low construction cost and with the ability to use different fuels, a dried product from green forage, corn, potatoes, etc., can be obtained. This fodder is used as a substitute for grain in production. There are many examples showing that with efficient utilization of farm fodder, and indispensable additives, 100 porkers a year can be produced on a 10-hectare farm.

We must also talk about some other basic conditions. Namely, the need to furnish the producers with everything that is indispensable for the expansion of hog production, aside from fodder: that is, coal, which is an element in the technology of breeding, the means to conserve the fodder, silos, the equipment inside the pigsties (this should be done by specialist enterprises). The producers' union intends to strenuously fight for all of this and not just restrict itself to demands but to present concrete proposals.

It is written in the Union's statute that it defends the professional interests of hog breeders and producers. It has 120,000 farmers as members, but it sees its mission as extending beyond that, recognizing that it helps all those who are involved in the production of hogs. From the long list of tasks which, according to the statute, the Union is to concern itself with, we will name two: instructions for producers and direct assistance in organizing and conducting production.

In order to give the producers professional assistance, a cadre of competent, dedicated instructors must be assembled. Before the amalgamation with the agricultural circles, there were over 500 of them. Then they scattered among different institutions. Some of them are returning, but at the moment the Union's instruction cadre numbers about 300.

Material assistance, in additional to professional advice, is now, under such very serious market difficulties, very necessary. For example, the Union will take charge of deliveries of Persian clover seed, fodder beets, pre-mixes, fittings for pigsties, ventilators, etc. Recently arrangements were made to furnish "Bak" shredders and inside fencing for pigsties. The organization of modern farms is a long and laborious task, often for an entire generation of farmers. For example, it took Mr Andrzejewski 25 years to reach the present level of production and outfitting of his farm. Now he knows that when he turns it over in the future to his son it will be a modern farm that no Danish or Dutch farmer would be ashamed of.

In the opinion of my interlocutors, increased hog production and efficient utilization of the means of production can take place principally through farm specialization and production concentration. And here we come to the

old arguments about the benefits of specialization and the immediate reservation: "what is important is not the investment relief, amortizable credits, etc., that were previously applied, but primarily professional assistance and access to means of production. The basic argument for the advisability of such a policy is a stabilized, in spite of all of the adversities, level of production (actually, the hogs in Mr Andrzejewski's pigsties, if we can use this as an example, do not know that there is a crisis in Poland).

"This will not interfere at all with the small producers. We believe, my interlocutors continue, that we must also support the small farms. Their production will relieve the market and feed more than one village family, but the main flow of marketable supplies should come from the specialized farms. Our goal is to assist in such a way that there will be as many such farms as possible."

9295
CSO: 2600/361

AREAS FOR IMPROVEMENT IN FULFILLING 1982 PETROLEUM PLAN

Bucharest REVISTA ECONOMICA in Romanian No 6, 12 Feb 82 pp 14-15

[Article by Valeriu Soare, deputy director in the Ministry of Petroleum]

[Text] The continuous economic and social progress of our country requires fulfillment of the important tasks in the activity of investments with greater efficiency, tasks intended to increase production capability in the priority areas of interest for the economy by putting into operation the planned projects on schedule. Special responsibilities in this regard belong to the petroleum and gas industry which in the current five-year plan must provide the national economy with petroleum products in accordance with the plan requirements. For this the branch has been allocated a volume of investments which show substantial growth. So, whereas in the 1976-1980 period 36 billion lei were spent, for the 1981-1985 period funds valued at more than 60 billion lei are forecast. Together with the complete fulfillment of the investment plan, efforts must be made to systematically reduce the expenses forecast in the estimates. As was indicated in the recent meeting of the joint work of the RCP Central Committee and the Supreme Council for Social and Economic Development, action must be taken with all determination to fulfill this year's production plan, to recover at least a portion of the preceding year's failures in fulfillment and, more importantly, to create the necessary base for production in 1983 and coming years.

Preparation of Investments

Solid preparation of the investment projects--compiling the documents, the contracting of equipment, providing the labor force and land--is a condition without which timely fulfillment of the new production capabilities under good conditions cannot be achieved. An advantage of the petroleum industry in this regard is that compiling of the documents and carrying out the investment work are done by their own organizations for more than 95 percent of the volume of investments planned annually, while approval of the documents is given in the same proportion by the beneficiary units or the Ministry of Petroleum. Such a particular feature permits special measures to be taken for the organization, programming and carrying out of the particular jobs. Under these conditions and as a result of the activities carried out in this direction, the plan in 1981 was overfulfilled for all investments, with all the planned production capabilities being achieved.

By increasing the volume of investigative drilling of the deposits, particularly those situated at great depths, new petroleum and gas reserves have been brought out at depths of more than 4,000 meters in Vilcea, Gorj, Bacau Counties and others and conditions have been created for total fulfillment of the tasks for increasing crude oil and gas reserves for 1981, the base for reaching the extraction levels forecast for 1982 and coming years. Parallel with this, new production capabilities have been put into operation: installation for desulphurization of petroleum gases and recovery of sulphur, with a production of 500,000 Nm^3/day and 12,800 tons of first-quality sulphur per year; amplification of the gasoline transport systems in the Tirgu Jiu-Pitesti zone, which are taking over the increase in gasoline for the refineries in Pitesti and Ploiesti. In the same period, development of the Poiana Cimpina Enterprise for Tractor and Heavy-Motor Repairs took place in order to satisfy the branch requirements for the repair of tractors and motors connected with drilling as well as the assembly of more than 300 km of gas pipes from the new fields and so forth.

Preparation of operations documents, providing of the legal forms for issuance of land and organization of the job sites in time have created conditions for the projects programmed for 1982 to proceed well. The measures taken and applied even in the fourth quarter of last year, particularly for intensifying drilling activities in the Ghelinta zones (Covasna County) and Virteju (Gorj County) made it possible to overfulfill the investment plan for January 1982 by 5.8 percent. Yet, in the western zone of Romania and the Transylvania basin last month, lags were recorded, lags caused by lower temperatures which hindered the normal flow of activity on the job sites where the projects were being carried out outdoors. For that reason, in February and March the forces will be concentrated and the rate of progress will be speeded up in these zones so that the investment plan for the first quarter can be fulfilled in its entirety as the timetables for operations forecast.

But, for maximum utilization of all the advantages and reserves existing with a view to the steady flow of work and putting the forecast projects into operation on schedule, continued implementation of a number of measures is needed, measures among which are the following:

Rejecting supplementary analyses for timeliness and need for the supply with equipment which does not involve operations and assembly expenses and which are listed in the plan; in this way a useless consumption of time would be avoided and efficiency would increase in supplying these kinds of machinery and equipment;

Taking into consideration the possibility for the Ministry of Petroleum to take over certain capabilities and to produce specialized equipment (such as subsurface pumps, but not only these) so that the current needs in this area could be insured quantitatively and qualitatively;

Concentration and simplification of documents for investment projects which repeat, since currently work and paper being consumed in these situations are far from justifiable.

Basic Conditions for Increasing Labor Productivity

Supplying the construction organizations with an increasingly greater number of equipment year after year has been reflected in the increased degree of mechanization and industrialization of projects. Assembly of certain portions of installations in factories and the petroleum industry's own workshops leads to shorter assembly times and to increasing labor productivity. Through the measures taken the success has been that labor productivity for the construction-assembly organizations in the petroleum industry in 1982 is exceeding that achieved for 1980 by 19 percent.

Doing construction-assembly jobs in a greater and greater volume, parallel with raising the degree of mechanization and industrialization of the construction, requires appropriate supply with qualified and nonqualified workers.The investment plan for the structure of construction-assembly for 1982 shows a 33-percent increase over last year's achievements. Even if not in the same proportion, this means additional labor force and supply as well as better organization of the jobs. Efforts currently are being directed toward stabilizing the workers on the job sites, a very important element in increasing labor productivity and in reducing labor force fluctation. For this same goal, action is being taken for better organization and discipline on the jobs, providing competent and permanent technical assistance so that the workers can fulfill their tasks and achieve an appropriate salary month after month. On the other hand, housing conditions in mobile and semi-mobile barracks have been created in the temporary and isolated jobs with all the necessary comforts, while apartments and dormitories for single people are being built in the locations where there is continuing activity. In 1982 alone more than 1,500 apartments intended to provide a high degree of comfort and better economic-social conditions are being built and will be put into use.

The normal flow of activity on the job sites, however, also means a control, and the multilateral and comprehensive aid from the specialized organs, with control on the job site actually being an act of technical and economic assistance. As such, it must be carried out with the necessary competence, be characterized by a high spirit of responsibility and lead to effective aid in solving problems. Especially since the drilling and construction-assembly organizations, which do jobs in the petroleum industry, in most of Romania's counties work with very dispersed job sites and batches. If these actions in some cases take place incorrectly, the cause also is the lack of means of intervention and adequate transportation. Of course, under the current circumstances, the savings of fuel must be demonstrated in any area, at any level, but this should not hinder giving competent and immediate technical assistance which can avoid incomparably bigger losses than the savings anticipated.

Greater Responsibility in Carrying Out the Contract Obligations

During the period of achieving the investments, in some cases there are defects in the activity of the construction-assembly and design organizations and the suppliers of equipment, which have negative repercussions on placing the technical-economic indicators planned into oepration and reaching them. For example, one cannot omit the fact that the construction organizations last year and the first month this year met a number of shortcomings which led to failure to fulfill

certain goals on schedule, with effects on the activity of drilling and extraction of crude oil and gases. So the specialized units of the Ministry of the Metallurgical Industry did not provide the necessary tubes for 2-4-inch pipes to a satisfactory extent, extraction tubing and drive pipes, endangering the start of the crude oil and gas wells into operation. In turn, some enterprises of the Ministry of Machine Construction Industry did not succeed in providing a number of spare parts, subassemblies and equipment, without which the drilling ing and extraction process is not possible to carry out at the planned level. This is the case of the motors for the drilling installations, the drilling bits, gates, gas -crude oil separators, piston pumps, centrifugal pumps and others.

A totally impermissible aspect is that annually the suppliers for certain equipment change, with situations existing where for one reason or another they no longer are produced or are produced in unsatisfactory quantities (5" x 10" piston pumps, gates and so forth). On the other hand, for years the unsatisfactory situation has remained in providing bore-hole pumps or elements of them. Normally, they should be able to be utilized 3-6 months, depending on the characteristics of the fluids extracted from the deposits, but the ones received lately far from reach these performances, which leads to frequent interventions which require a supplementary labor force, an increase in expenses and reductions in crude oil production.

The steady flow of work on the job sites requires efficient and effective actions in the area of supply with materials in appropriate quantities and varieties. The ministries producing the construction materials and installations must take measures to broaden their variety and quality at the level of real requirements And must provide their delivery in conformity with the contracts concluded. It also should be said that a number of problems still have to be solved for 1982, problems in the supply with equipment and materials. For example, the appropriate levels for the pipe tubes with small diameters have not been insured for linking the wells with the gas and crude oil main lines as well as for putting them into production (drilling bits, drive pipes, building cement, metal for construction and others) which can create difficulties in the steady flow of work on the job sites or even in boring for wells and putting them into operation. As a result, a well-based analysis is needed from the responsible factors who establish the volumes of equipment and materials for total provision of the quantities of materials needed even by the first of the year.

Besides the responsibility belonging to the construction-assembly organizations, to the designers and suppliers of equipment, undoubtedly, a large share of the blame, however, lies with the investment beneficiaries, against whom neither the design organizations nor the construction organizations take enough action in the case of failure to respect the contract provisions. This explains the fact that a number of installations (gas-crude oil separating fleet, the compressor stations and so forth) were not able to be put into operation on schedule due to the lack of legal forms for occupying the land which is not provided on time.

Under these circumstances the investment beneficiaries do not bear any of the consequences. And this is because the contracting sides mutually tolerate the defects demonstrated in the period that the investments are being carried out, particularly for those for which there is joint subordination, belonging to the

same higher organ, while the contract concluded between the sides fulfills its job to a reduced extent as a lever with which action should be taken in the cases of failure to respect the contract conditions and failure to fulfill the plan tasks.

Respect for contract discipline, in our opinion, requires that the standards in effect become more mobile, while the penalties should be applied in all cases of deviation from the delivery terms for equipment or documents and those for carrying out the projects. Penalizing the guilty ones for delays in putting a project into operation is required in particular with regard to the contracting of technological equipment which holds an important share of total investments, especially since an anomaly in this area is having the beneficiaries accept, even through the contract, certain inappropriate delivery schedules, ones which do not correspond to the schedules for the start into operation. It should be understood clearly that the factors contributing to carrying out the investments, primarily the investment beneficiaries, should be responsible for the failure to correlate the delivery terms for equipment with those for putting the projects into operation.

8071
CSO: 2700/205

SELF-MANAGEMENT, SELF-SUPPLY TO STIMULATE AGRICULTURE

Bucharest REVISTA ECONOMICA in Romanian No 6, 12 Feb 82 pp 8-9, 11

[Article by G. Nicolescu]

[Text] The concept of self-leadership and self-management has taken on new values through adoption of the measures on self-leadership and territorial self-supply which are an integral part of the broad process for continually improving the organization, planning and unified leadership of the national economy. Application of the principle of self-leadership, and in a very important area of our social and economic life, as is that of providing the good supply for the population of each locality from their own resources of agricultural products, represents a factor of maximum importance in fulfilling the goals of the 12th party congress for continually raising the standard of living for all the people and for satisfying the continually increasing consumer requirements of the population under increasingly better conditions.

On the basis of the measures taken by the Romanian Communist Party, agricultural production and the production of consumer goods have increased, the population's incomes have risen, which has been reflected in a greater requirement for food products and, at the same time, the shift of consumption toward higher quality products with greater values of usage. In the 1976-1980 five-year plan total agricultural production rose at an average annual rate of 4.2 percent, real per capita incomes rose 5.1 percent, while retail sales of goods through socialist trade rose 7.9 percent. Although agricultural production was affected in some years by less favorable climate conditions, average consumption shows large growth , being 36 percent greater in 1980 than in 1975 for meat and meat preparations, 33 percent greater for milk and milk products, 23 percent greater for eggs and 39 percent greater for sugar and sugar products and so forth.

Showing constant concern with steadfast fulfillment of the 12th party congress decisions for raising the standard of living for all the people, on the initiative of Comrade Nicolae Ceausescu, party secretary general, the "Program for self-leadership and territorial self-supply for providing the population with animal and vegetable agricultural products in the 1981-1985 period" was worked out; it is the first national program in this sector of activity adopted by the country's supreme legislative forum.

The definitive elements of the concept of self-leadership and territorial self-supply clearly result from the party secretary general's speech at the November 1981 plenum as well as from the program's provisions.

The Popular Masses' Active Participation in Leadership of All Social-Economic Activity

Being directly involved in achieving the supply of each locality under the best possible conditions, the workers can and must take part in assuming responsibility for providing for the growth in agricultural production needed for a good supply for the population and, at the same time, must participate directly in implementing the decisions made. The people's councils' responsibility is being strengthened by providing the unified leadership of agriculture on the bases of the principles of worker self-leadership and economic-financial self-management, toward the goal of increasing agricultural production, satisfying the population's consumer needs from the resources of each county and participation in establishing the state fund of agricultural products to a greater and greater extent.

An efficient means of asserting worker democracy is the responsible participation of all residents in working out programs for territorial self-supply and development of agriculture and the food industry for each administrative-territorial unit and in establishing the measures which would insure they are carried out. Also, discussion of the programs in the citizens' general meetings in each locality is an occasion for intensifying the workers' conscientious participation in making decisions of maximum importance for all residents of our country's communes and cities and for strengthening the responsibility for carrying out the programs approved.

Practical application of self-leadership and territorial self-supply will contribute directly to implementation of the new economic-financial mechanism on a higher level of quality, to increasing the decision-making ability of the local organs and their organizational ability and that of all workers in providing conditions for good development of agricultural activity, of consumer goods production and supply of the population with food products.

A substantial rise in vegetable and animal agricultural production is the basic factor in self-leadership and territorial self-supply and in providing good supply for the population with agricultural food products and appropriately satisfying the other requirements of the national economy.

Annually the state allocates large material and financial capital needed to emphasize the process of the intensive development and modernization of agriculture and the food industry. In 1982 agriculture will be supplied with 18,400 tractors, 4,500 self-propelled grain-harvesting combines and will receive more than 118 million tons of chemical fertilizer and 51,600 tons of pesticides; investments in agriculture, grape growing and the water economy will total 35.6 billion lei.

The efforts made by all the people to modernize agriculture must be accompanied by obtaining as high a production per hectare as possible on the basis of the use of the productive potential of the land fund with maximum output, rise in

the number of animals and animal production, decisive elements in the application of the principles of self-leadership and territorial self-supply. This is as much in the interest of all the people to achieve higher production which contributes to better supplying the population with agricultural food products and to satisfying the other needs of the national economy as it is of each producer to obtain high incomes from increasing production and utilizing as big quantities of agricultural products as possible for the state fund. Obtaining higher production of grains, sun flower, sugar beet, vegetables, fruits, potatoes, milk, live meat and so forth and, on this basis, increasing the production of sugar, oil, meats and meat products, cheeses and so forth will provide average per capita consumption established on the basis of a rational, balanced consumption, in which the percentage of products with high nutritional values shows increases over the achievements of previous periods.

Stimulating a Permanent Increase in Our Own Resources of Agricultural Food Products

Self-leadership and territorial self-supply are an important factor in mobilizing the big reserves existing in each county and each locality for increasing agricultural production and food production. In the direction of stimulating an increase of local resources of agricultural products to the maximum, the new condition for utilization of agricultural production will also take action, that is, establishing the centralized state fund and county fund for agricultural food consumption. Achievement of both funds is a patriotic duty, an obligation of great responsibility for providing the general needs of each county's population for agricultural food products.

Centralized state fund for agricultural products is intended to provide industry with raw materials, to supply tourist locations, to complete resources for plying the population with products which do not have favorable production conditions in some counties as well as to insure other needs of the national economy.

The county consumption fund comprises quantities of vegetable , animal agricultural products needed to supply the nonagricultural population as well as the products obtained by the population's plots to satisfy their own needs. The surplus production of the population's plots is a resource of the county consumption fund which is utilized through contracts and acquisitions or is sold directly at the peasant market.

In order to provide an incentive for increasing agricultural production in case the planned production is exceeded, the surplus is added to the county consumption fund, which will be a powerful stimulus for increasing agricultural production, particularly zootechnical, where there are big reserves for increasing the livestock, the animal's weight and animal production. At the same time, the principles of self-leadership and territorial-supply, the limiting of obligation and rights in establishing and utilizing agricultural production require corresponding reduction in the county consumption fund in case the production established is not obtained, which strengthens the collective responsibility of all the people in achieving their own resources of agricultural products.

Self-leadership and territorial self-supply make necessary both providing their own resources of agricultural products as well as judicious management of them, reduction in perishability in transport, handling and storage, short and fast circuit from producer to consumer, reduction in the expenses of industrial processing, the organization of recovery and utilization of all subproducts and so forth. For this purpose the program provides for measures which would contribute to use of agricultural food products with maximum efficiency in providing appropriate conditions for transport, storage, preservation and sale to the population so that waste or destruction of these products in any form is prevented. Taking into account the resources of raw materials nd the evolution of the consumer centers, small production units of the food industry are to be developed, reducing the distances of transport, perishability during transport and storage, achievement of optimum specific consumption, recovery and utilization of secondary products (hair, horns, hooves, skins and so forth), utilization of the valuable products resulting from industrial processing in zootechnics (husks, molasses, whey, grist, bran and so forth). Application of the principles of self-leadership and territorial self-supply clearly will contribute to increasing the efficiency of agricultural production and the production of the food industry and to steady supply of the population in each locality with food goods.

The Development of Agricultural Production and Food Industry Production in Accordance With the Requirements for Scientific Nourishment

The concept of self-leadership and self-supply has at its basis a determination of the population's consumption needs through taking into consideration not only the trends and specific nature of our people but also the requirements for a scientific nourishment which would contribute to maintaining and developing the ability to work, improvement in all the people's state of health. Proceeding from the fact that Romania is among the top ten countries in the world in consumption of calories per capita and, at the same time, from the structure of the consumption, with foods with a high nutritional content representing a lower percentage of the nourishment, a scientifically substantiated ratio is to be insured between food consumption expressed in calories and nutritional factors (protides, lipids, glucides, mineral salts and vitamins).

Within the measures for a rational and scientific nourishment, grain consumption, which is among the highest in the world, is to be reduced and there is to be a corresponding increase in the consumption of products with higher nutritional values--meat, milk, eggs--with positive effects on health protection, physical development and intelectual development of our people. For example, a kilogram of beef (consumable quantity) has a higher content than one kilogram of bread, more than 2.2 times the protides, more than 2 times the phosphorous, 2.4 times the Vitamin B_1 and B_2 and so forth. In accordance with these requirements, in 1985 the average per capita consumption is to be 82.5 kg of meat and meat products, 250 liters of milk, 300 eggs, 185 kg of vegetables, 87 kg of fruit and grapes, while consumption of grain-corn will fall from 180 kg in 1982 to 140 kg in 1985.

In order to provide the change in structure of the population's consumption, the levels of agricultural production which must be reached have been established in a new concept, proceeding from the population who must be supplied and the

consumption need determined on scientific bases, including differentiation of average consumption per capita depending on professional structure, age, local traditions, working conditions and so forth.

In order to provide the agricultural raw materials needed for the food industry average and total consumptions have been established for grains, vegetables, fruit, grapes and so forth, while for zootechnics the numbers of animals by breeds for meat and milk production, number of chickens as well as average weights when killed have been established. For the first time the number of residents taken into the calculation for one cow, one hog and so forth has been established in a unified concept for insuring meat consumption, while with regard to milk and milk product consumption, the number of residents taken into calculation for one milk cow has been established in a differentiated way (city population, worker centers and workers and separately for communes). This means of determining the number of animals and chickens needed to insure continually increasing consumption of meat , milk, milk products and eggs gives a clear picture to the population of each locality of the numbers to be reached and average weight at slaughter, which will stimulate delivery of the animals at the highest possible weights by prolonging the fattening period and increasing the average daily weight gain, insuring appropriate care and foddering. Under conditions of increasing the average weight and numbers of cattle, hogs, poultry, the counties will obtain additional quantities which remain for the local consumption fund, which will be a special stimulus in developing zootechnics both in the state and cooperative units as well as on the population's plots. Thus a qualitative leap will be achieved in supplying the population with agricultural food products through change in the structure of consumption to favor products with high nutritional values.

Intensification of the Exchange of Products Between City and Village

Firm application of the principles of self-leadership and territorial self-supply will lead to a broader exchange between city and village and to strengthening the alliance between the working class and working peasants, the granite foundation of our socialist system.

Continued development of vegetable and zootechnical production would not be possible without having the working class provide the material base for agriculture by producing and delivering higher quantities of tractors, combines, agricultural tools, chemical fertilizers, herbicides, pesticides and other industrial products needed for agriculture and with high technical-operational characteristics. At the same time, on the basis of the aid given by the state and the continual improvement in agricultural activity, the working peasantry will obtain higher harvests, greater animal production, which will make it possible to increase the state fund which would satisfy the higher needs for agricultural food products.

The exchange of goods between city and village takes place on equitable bases, at appropriate prices. In order to stimulate the growth in production, prices for some industrial products have been correlated better with production costs. Maintaining the pricing system without taxes on industrial products intended for the material-technical supply of agriculture, the state is continuing to allocate large funds for the mechanization of agriculture, land improvement projects,

and for research in vegetable and zootechnical production. At the same time, in order to give material incentives more to the agricultural producers to increase production and utilize higher quantities for the state fund, the prices of agricultural products were increased substantially in 1981. Separately from the price increase, starting in 1982 differentiated progressive prizes are being given according to the quantities delivered per hectare to the state fund. Giving prizes on economic criteria will stimulate an increase in agricultural production even more powerfully and deliveries to the state fund, a sure base for firmly implementing the principles of self-leadership and territorial self-supply. The measures established take into account that prices have risen for some industrial products needed for agriculture (fuels, power fuels, chemical fertilizers, electric energy, agricultural machinery and so forth), while the prices for agricultural products have remained unchanged for many years, which unfavorably affects the agricultural units' self-management.

Covering all production expenses and corresponding profitability and, at the same time, better correlation between the prices of agricultural products and production costs in agriculture are insured by the price increases and by giving prizes, which represent more than 25 billion lei annually. This has been one of the factors which has brought adoption of the recent measures to increase sales prices for agricultural food products so that appropriate profitability is insured for the units in this sector, which will stimulate a growth in production and quality, improvement in the populations' supply with food products.

As Comrade Nicolae Ceausescu stressed in the speech he gave at the joint meeting of the RCP CC and the Supreme Council for Social and Economic Development, all conditions exist for implementing the programs for self-supply, for obtaining agricultural production at the levels established and of acquisitions and contracts so that the tasks forecast for increasing the population's standard of living and the supply with agricultural food products are fulfilled in their entirety.

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CSO: 2700/205

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DATE FILMED

April 7, 1982